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US INDUSTRY
Honing the competitive edge
Page 6

World News

G7 summit seen as key to Gatt trade talks deal

Only a crisis summit of the Group of Seven nations or a meeting of European Community heads of government can achieve an agreement this year on the Uruguay Round trade liberalisation talks under the General Agreement on Tariffs and Trade (Gatt).

This was the view of senior EC officials following Monday's unproductive meeting of EC trade and agriculture ministers. The belief is growing in Brussels that the chance of a trade deal to revive the world economy is slipping away because the EC and US cannot agree on farm trade subsidy cuts. Page 12

UK poll date denial
Senior UK government ministers denied that prime minister John Major had decided to bring forward an announcement of the election date to today. The ministers said the election, still planned for April 9, would not be called until after next Tuesday's Budget. Political Notebook and further reports, Page 7

Order for Italy's military
Italian defence minister Virginio Rognoni warned military officers to stop challenging proposals for a radical reorganisation of national defences. The plans involve a substantial cut in the armed forces. Page 3

Living deaths
Three-quarters of deaths in the world are caused by diseases related to the environment and lifestyle, the World Health Organisation said in a report. Page 2

Vance mission to Bosnia
United Nations special envoy Cyrus Vance returned to Yugoslavia on a mission to calm ethnic tensions among the main national groups in Bosnia-Hercegovina. Page 3; Editorial Comment, Page 10; Sarajevo's war fears, Page 12

Arabs held over killings
Four Arab Israelis have been arrested in connection with the killing of three Israeli soldiers at an army camp last month. Page 4

Turkish pit toll rises
The death toll at the Incirharmani mine in northern Turkey could be more than 300 after hope was abandoned for miners trapped after Tuesday's methane gas blasts. Last night 82 were confirmed dead and 87 injured.

Nigeria may devalue
Nigeria's military government may devalue the naira to help put the country's economic reform programme back on course. Page 4

Honecker 'faking illness'
The German government said former East German communist leader Erich Honecker, 79, was feigning illness and it pressed Russia to do all it could to return him from Moscow to Germany for trial.

Algerian sting
Scorpions sting up to 80,000 people a year in Algeria, killing as many as 150, the Algerian Health Ministry says.

Resorts below par
Margate and Clacton are among six English seaside resorts excluded from the recommended section of a good beach guide compiled by the UK Marine Conservation Society. Sewage-related debris in the seawater was too great to conform to European Community minimum standards.

India defeat Pakistan
India won their first match in the World Cup defeating Pakistan in Sydney by 43 runs. India scored 216 for seven and then dismissed Pakistan for 173 runs.

FT No. 31,701

Business Summary

BSN receives go-ahead for hostile bid for Exor

BSN, the French food group, received the go-ahead from the Paris stock market authorities for its FFr6bn ($1.07bn) hostile bid for Exor, the French property company that controls Perrier mineral water.

The BSN bid, unveiled in late February, offers FFr1,420 a share for Exor. It is a counter-bid against the FFr1,320 a share offered late last year by Ifint, a company controlled by the Agnelli family of Italy, once considered an ally of BSN. Page 13

SWISS BANK Corporation, second-largest Swiss bank, increased 1991 consolidated net profits by 24.7 per cent to SFr1.08bn ($690m), in spite of soaring provisions for bad debts. Page 13

BUSH administration renewed its efforts to win Congress approval for its $12bn share of the IMF's capital increase. Page 12

ANHEUSER-BUSCH, US brewer which produces Budweiser beer, is seeking a 30 per cent stake in Budweiser Budvar brewery in Czechoslovakia. Page 15

HONG KONG budget: The British Crown Colony plans to leave to China an accumulated budget surplus nearly 2½ times the level promised by Britain. Page 12

GERMAN unions: The start of pay talks for Germany's 4m engineering workers was marked by a warning that every percentage point above the rate of inflation in this year's award would cost 200,000 jobs. Page 2

CHRISTIANIA Bank, Norway's second-biggest bank, announced huge losses for 1991 and confirmed that it needed NKr2.5bn ($385m) in fresh core capital. Page 14

EUROPEAN airlines have recovered from the collapse in business caused a year ago by the Gulf war. Page 3

BICC, UK-based cables and construction group, became the first British contractor to announce provisions to cover potential losses on the Channel tunnel project which has risen in cost since 1987 from £4.7bn ($8.27bn) to more than £8bn. Page 13; Results, Page 14

GKN, UK motor components, industrial services and defence group, saw its shares jump by 20p in spite of a 44.7 per cent drop in pre-tax profits in 1991. Page 13; Lex, Page 12

NORDBANKEN, Swedish state-controlled bank, reported an earnings loss of SKr5.8bn ($966m) for 1991. Page 14

NIGERIAN economy: Lagos may devalue the naira to put the country's economic reform programme back on course and renew a lapsed agreement with the International Monetary Fund. Page 4

CITROEN, a division of Peugeot, the French car maker, expects to reach final agreement with China to set up a car assembly plant in Wuhan. Page 5

MINOLTA, Japanese camera manufacturer, agreed to pay Honeywell, US controls group, $127.5m to settle a long-running patents dispute. Page 15

CRA, Australian mining group which is 49 per cent owned by RTZ of the UK, announced a 26 per cent cut in annual net profits to A$350m (US$269m). Page 16

CADBURY Schweppes, UK confectionery and soft drinks manufacturer, increased pre-tax profits by 13.2 per cent last year. Page 20; Lex, Page 12

SCANDINAVIAN Airlines System plans to sell its 40 per cent stake in Inter-Continental Hotels, international hotel chain, to Inter-Continental's controlling shareholder, Saison group, Japanese retail and leisure combine. Page 16

Funds put out of reach as western nations consider sanctions

Libya moves assets to safety

By **Tony Walker** in Cairo, **Mark Nicholson** in London and **Michael Littlejohns** in New York

LIBYA has shifted between $2bn and $3bn of its overseas assets from Europe to banks in the Middle East. It is hoping to put them beyond the reach of western governments which are pressing for retaliation against Tripoli's alleged complicity in the bombing of US and French airliners.

The move of assets emerged yesterday as the US, Britain and France considered asking the United Nations Security Council to back sanctions against Colonel Muammer Gadaffi's regime for failing to hand over two agents accused of bombing a Pan Am airliner over Lockerbie.

British officials said they would seek a ban on civil aviation to Libya, an arms embargo and a downgrading of diplomatic status for Tripoli.

However, bankers and officials in London and the Middle East say Libya has already taken steps to pre-empt any further economic sanctions by discreetly moving liquid assets from vulnerable banking centres to friendly Arab countries.

This massive shift of Libyan assets over the past few months coincides with concerted western pressure on Colonel Gadaffi, including threats of possible military action.

Bank of England figures show that between March and September 1991, Libya halved its deposits in British banks, to £781m ($1.37bn). Libyan cash and other liquid assets, mainly held overseas to service the import needs of its oil industry, have also been removed from other European centres.

■ US seeks review of Middle East peace talks
■ Much of Libya's money has long been on the move
PAGE 4

Bankers in London confirm that deposits withdrawn in the past few months from Arab institutions in the city have been placed with banks in Bahrain.

"Libya feels it has some sympathy among other Arab countries," said a London banker familiar with the shift. "And the obvious place to put the money is with banks in the Gulf region."

Libya's overseas assets measured by the Bank for International Settlements in Basle totalled $6.5bn at the end of September 1991.

In a separate move aimed at protecting its assets from seizure, Libya is understood to be demanding payment for its oil exports, wherever possible, in Swiss francs, rather than dollars, according to bankers and oil industry executives.

The aim is to minimise the number of transactions which must be cleared through US banks, where Tripoli fears they would be vulnerable to seizure.

All international transactions in dollars, even if they take place outside the US, must be cleared through New York. The US authorities have sought to use this to impede dealings they regard as undesirable, such as trading in dollars with Vietnam, with which Americans are forbidden from doing business.

"Libya since the end of December has not transferred money through the dollar if it can help it," said one senior Arab banker.

Another Libyan banker, who has been monitoring the steady flow of Tripoli's assets into safe havens, said the regime had learnt from its experience in 1986 when Washington froze $2bn of Libyan assets in the US in retaliation for its alleged

Continued on Page 12

Buchanan faces strong pressure to quit race

By **George Graham** in Washington

THE WHITE HOUSE, smarting from another humiliation at the polls for President George Bush, yesterday tried to increase pressure on Mr Patrick Buchanan, his rightwing challenger, to withdraw from the race.

Mr Buchanan, the television commentator and former Nixon speechwriter, secured 36 per cent of the vote in Tuesday's Georgia primary, against 64 per cent for Mr Bush.

Mr Buchanan's performance almost equalled his 37 per cent of the Republican vote in New Hampshire two weeks ago.

Mr Buchanan also took 30 per cent of the vote in Maryland and Colorado, confirming that his campaign is not simply going to fade away.

The White House fears that Mr Buchanan's success has exposed deep divisions within the Republican party and threatens to weaken Mr Bush when faces a Democratic challenger in November's presidential election.

Some Republican party leaders believe Mr Buchanan's eyes are on the 1996 presidential race, and that he does not entertain any real hope of taking this year's nomination away from President Bush. If that is so, they argue, he must sooner or later make peace with the rest of the party.

"We got the message. Now it's time for him to get the message: stop dividing the party," said a White House official.

But Mr Buchanan yesterday insisted he had no intention of pulling out of the race. Instead, he said, he would continue his campaign up to the August convention when the Republicans will formally nominate their candidate.

"I think we're now going to go all the way to that Houston convention," he said.

Mr Bush has until now dismissed Mr Buchanan's support as a protest vote. On Tuesday night he chose to interpret his challenger's support as being directed at politicians in general, not just his own record in office.

"To those who have been with me in the past but did not vote for me today, I hear your concerns and understand your frustration with Washington," he said in a statement issued from the White House.

Yesterday, however, he acknowledged that people were actually voting against him. "It seems to be that way, yes. I think that's a good way to analyse it. But that will turn round," Mr Bush said before leaving for a campaign appearance at the Florida Strawberry Festival.

"People will see that I'm the person to lead this country, just as I was in the past," Mr Bush added.

Republican leaders such as Mr Newt Gingrich, the party's whip in the House of Representatives, acknowledge that Mr Bush's campaign is still in trouble. "There's no question Bush has got problems. It's obvious in the returns. It's obvious in the economy," he said.

Mr Buchanan has been campaigning heavily in South Carolina, which holds its primary on Saturday, and is also expected to win support in the conservative southern states which dominate next week's 11-state Super Tuesday contest.

In the Democratic race, Tuesday's voting in seven states confirmed the emergence of two clear frontrunners: Mr Paul Tsongas, the lugubrious former senator from Massachusetts, who won in Maryland, Utah and Washington State, and Governor Bill Clinton of Arkansas, who won heavily in Georgia.

Mr Jerry Brown, the former governor of California, won a surprising victory in Colorado. While his campaign has often appeared eccentric, he has appealed strongly in states where the environment is an issue.

Senator Tom Harkin of Iowa kept his faltering campaign alive by winning at party caucuses in Minnesota and Idaho, but Senator Bob Kerrey of Nebraska failed to win anywhere. Mr Kerrey yesterday cancelled his campaign appearances in Florida and flew to Washington DC to consider the future of his candidacy.

King George's victory spoilt, Page 6

George Bush takes leave of his wife Barbara yesterday for a week-long campaign trip taking in Florida, South Carolina, Tennessee, Oklahoma, Louisiana and Mississippi

First class passengers may get a fast track at airport

By **Michael Skapinker** in London

FIRST CLASS and business class passengers flying into London's Heathrow airport could have their own express queues for immigration controls, under a plan put forward by airlines.

They have told Britain's Home Office they would be prepared to pay for extra immigration officers to speed up formalities for first and business class passengers.

The Home Office said yesterday it was examining the proposal, which is aimed at reducing immigration queues for non-European Community nationals. The queues are particularly long in the early morning when flights arrive from North America and the Far East.

Previous attempts to reduce Heathrow immigration queues have foundered because the Home Office has said it does not have the money to pay for additional staff.

British Airways, one of the airlines behind the move, said discussions were still at an early stage but that the talks with the Home Office had been constructive. Although the airlines would bear the cost of the additional officers, they would remain under Home Office control. BA said that although the proposal was aimed at first and business class passengers, it was the first step in an attempt to shorten waiting times for all arriving passengers.

The Home Office said the plan had been supported by several airlines using Heathrow, but backing has not been unanimous. United Airlines, the US carrier, said that while it was in favour of speeding up Heathrow immigration formalities it did not see why it should have to bear the cost.

The Home Office said it was also looking at the possibility of allowing visitors to clear UK immigration before they boarded their aircraft. This would involve stationing British immigration officers at airports in New York or Tokyo.

The British Tourist Authority has also suggested the establishment of a separate queue at UK airports for non-EC nationals who are resident in Britain.

BAA, the publicly quoted company which owns Heathrow, said a survey conducted last summer revealed significantly longer waiting times for non-EC nationals arriving on early morning flights.

Deutsche Aerospace may take stake in Fokker

By **Ronald van de Krol** in Amsterdam and **Paul Betts** in London

DEUTSCHE AEROSPACE, the aerospace arm of Daimler Benz of Germany, is considering buying a substantial stake in Fokker, the Dutch aircraft manufacturer, as part of plans for launching a regional jet programme.

The move would have significant implications for the European regional aircraft market, which is facing acute competition and is in urgent need of restructuring.

Fokker said yesterday it had agreed with Deutsche Aerospace (Dasa) to discuss a "more intensified relationship" which would include, at the very least, co-operating in the launch of a new 70-80 seat regional jet, the Fokker 70, in late 1994.

A Fokker official said a direct investment by Dasa in Fokker's share capital was one option to be explored.

In Munich, Dasa confirmed its talks with Fokker but said no agreements had been reached. The talks were intended to strengthen the European regional aircraft industry to ensure profitability and competitiveness, it added.

Fokker is already planning a Fl 500m ($270m) share issue next month to boost its capital by 50 per cent. There was speculation that the share issue would be a timely vehicle for Dasa to invest in the Dutch aircraft manufacturer.

If Dasa were to take up the entire issue, it would secure a 33 per cent stake in Fokker's expanded share capital. Dasa might also consider buying out the Dutch government, which holds 32 per cent of Fokker following its bail-out of the company in 1987. This would give the German group control of Fokker.

The Dutch company has been looking for a partner to help finance the development and construction of the Fokker 70 and, later, the Fokker 130, a 130-seat derivative of its Fokker 100.

Dasa's Messerschmitt subsidiary already co-operates with Fokker by producing the fuselage of the Fokker 100.

Fokker is eager to extend this partnership to smaller and larger derivatives of the Fokker 100.

If Dasa decides to strengthen its ties with Fokker, it could mark a significant change in strategy. It has been concentrating on developing an 80- to 130-seat regional jetliner with Aerospatiale of France and Alenia of Italy. Now, however, it could consider working with Fokker on a 70-seat aircraft and support the development by the European Airbus consortium of a smaller 125-130 seat derivative of the Airbus A320 twin-engine airliner. Dasa holds a 37.9 per cent stake in Airbus.

A Dasa-Fokker partnership is also expected to put additional pressure on British Aerospace's loss-making BAe 146 regional jet. BAe has been seeking industrial partners and has held talks with Japanese manufacturers as well as other European groups over collaboration.

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Protests grow as Portugal faces up to Euro-integration

The social democratic administration of prime minister Anibal Cavaco Silva (left) has been thrown on the defensive by a series of protests from workers and students
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MARKETS

STERLING
New York lunchtime:
$1.72175
London:
$1.7235 (1.74)
DM2.8825 (2.88)
FFr9.79 (9.7875)
SFr2.625 (2.6175)
Y227.75 (227.5)
£ index 90.4 (90.5)

GOLD
New York Comex Apr
$351.8 (351.4)
London:
$349.95 (351.75)

N SEA OIL (Argus)
Brent 15-day Apr
$17.425 (17.225)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.6725
FFr5.6815
SFr1.524
Y132.025
London:
DM1.672 (1.6555)
FFr5.68 (5.625)
SFr1.5235 (1.505)
Y132.2 (130.8)
$ index 65.1 (64.7)
Tokyo close:Y131.5
US lunchtime rates
Fed Funds:4%
3-mo Treasury Bills: 4.128%
Long Bond: 100½
yield: 7.949%

STOCK INDICES
FT-SE 100: Yield 4.82
2,558.4 (−7.0)
FT-A All-Share:
1,228.42 (−0.3%)
FT-SE Eurotrack 100:
1,176.33 (−0.11)
New York lunchtime:
DJ Ind. Av.
3,268.0 (−4.25)
S&P Comp
411.41 (−1.44)
Tokyo: Nikkei
21,105.42 (+53.71)

LONDON MONEY
3-month interbank:
10 7/16% (10 3/8%)
Liffe long gilt future:
Jun 96 23/32 (Jun 97 3/4)

EUROPEAN NEWS

Ukraine 'victory' on separate debt deal

By Chrystia Freeland in Kiev

THE PARIS Club of western creditor governments has apparently softened its insistence that Ukraine should assume collective responsibility, together with the other republics, for the former Soviet Union's foreign debt.

Although western negotiators refused to give details yesterday, Mr Vitold Fokin, Ukrainian prime minister, described a meeting on Tuesday with Mr Jean-Claude Trichet, Paris Club president, as "a victory for Ukraine".

Mr Fokin said the negotiations would open the door to western credit which G7 nations have hitherto blocked in an effort to force Ukraine to drop its insistence on paying its 16.37 per cent or $13.42bn share of Soviet debt independently. A final agreement is not expected until a March 11 meeting between Mr Trichet and Ukraine and Russia.

Mr Georgy Matiukhin, Russian central bank chairman, yesterday stuck to the Russian position that the former Soviet republics should maintain a centralised system to repay the debt. "It is absolutely impossible to divide up the debt," he said.

Canadian officials, who broke ranks with their G7 partners last month by opening a C$50m line of credit to Ukraine, met Mr Fokin earlier on Tuesday and are thought to have helped broker a deal with the Paris Club.

They said Mr Trichet had agreed that Ukraine could pay independently of Russia and that a final agreement might be based on a proposal Ukraine presented to Canada whereby the former republics would be grouped into two debt-paying blocs, one guaranteed by Ukraine and one by Russia. However, Mr Trichet himself did not comment yesterday.

Mr Boris Soboliev, deputy minister for foreign economic relations, said that during the meeting "a fundamental reorganisation of Vnesheconombank (through which debt is paid) was discussed, including the possibility that it will be moved to Minsk."

IG Metall warned of heavy job losses

By Christopher Parkes in Bonn

THE START of pay talks for Germany's 4m engineering workers was marked yesterday by warnings of heavy job losses and a flurry of grim news from manufacturing companies.

Mr Hans-Joachim Gottschol, president of the Gesamtmetall employers' association, said every percentage point above the inflation rate in this year's award would cost 200,000 jobs.

At the first round of talks, held in Hamburg on behalf of 120,000 workers in northern Germany, the local IG Metall union branch claimed a 9 per cent increase. Most of the other nine regional branches, due to start negotiating in the coming weeks, have asked for 9.5 per cent. Inflation this year is expected to average 4.5 per cent at most.

Mr Franz Fillbach, Gesamtmetall's negotiator in Hamburg, made no offer during the opening session and the talks were adjourned to March 24. But he said the engineering industry was on a downward slope. Domestic demand had fallen sharply and export orders were stagnating.

Reports from leading companies confirmed that the downturn is now biting in all metal-working sectors. Gildemeister, one of western Germany's largest machine tool makers, said yesterday it would pay no dividend for 1991 and none should be expected this year. Group turnover fell 12 per cent last year and overseas sales dropped 23 per cent.

Georg Müller, a Nuremberg bearings manufacturer, reported that it started the year with 46 per cent fewer orders than 12 months earlier. Ymos, a Bavarian company specialising in car components, said it had missed its 1991 financial targets by a wide margin because orders had not been renewed and motor manufacturers had delayed launching new models.

In Düsseldorf the German Steel Federation added to the gloom with a report that orders for steel fell 9 per cent in the final quarter of 1991.

In another pay case, the OTV union, negotiating for 2.3m western German public service workers, said it wanted employers to put forward a negotiable offer when the third round of talks starts today. The OTV is seeking a basic 9.5 per cent increase.

● White collar unions yesterday stepped up their rolling programme of strike action in pursuit of a 10.5 per cent pay claim for bank workers, and called out 15,000 staff in banks all over western Germany. Business was not seriously disrupted.

Some banks reported operating comfortably even though half the workforce stayed away. The unions, meanwhile, threatened to increase the pressure steadily until a "reasonable offer" was made.

Nato fears grow over Nagorno Karabakh

NATO yesterday expressed concern about the fierce fighting over the enclave of Nagorno-Karabakh, as the charity Médecins Sans Frontières said about 35,000 Azerbaijanis were fleeing from Armenian attacks, Reuter reports from Brussels.

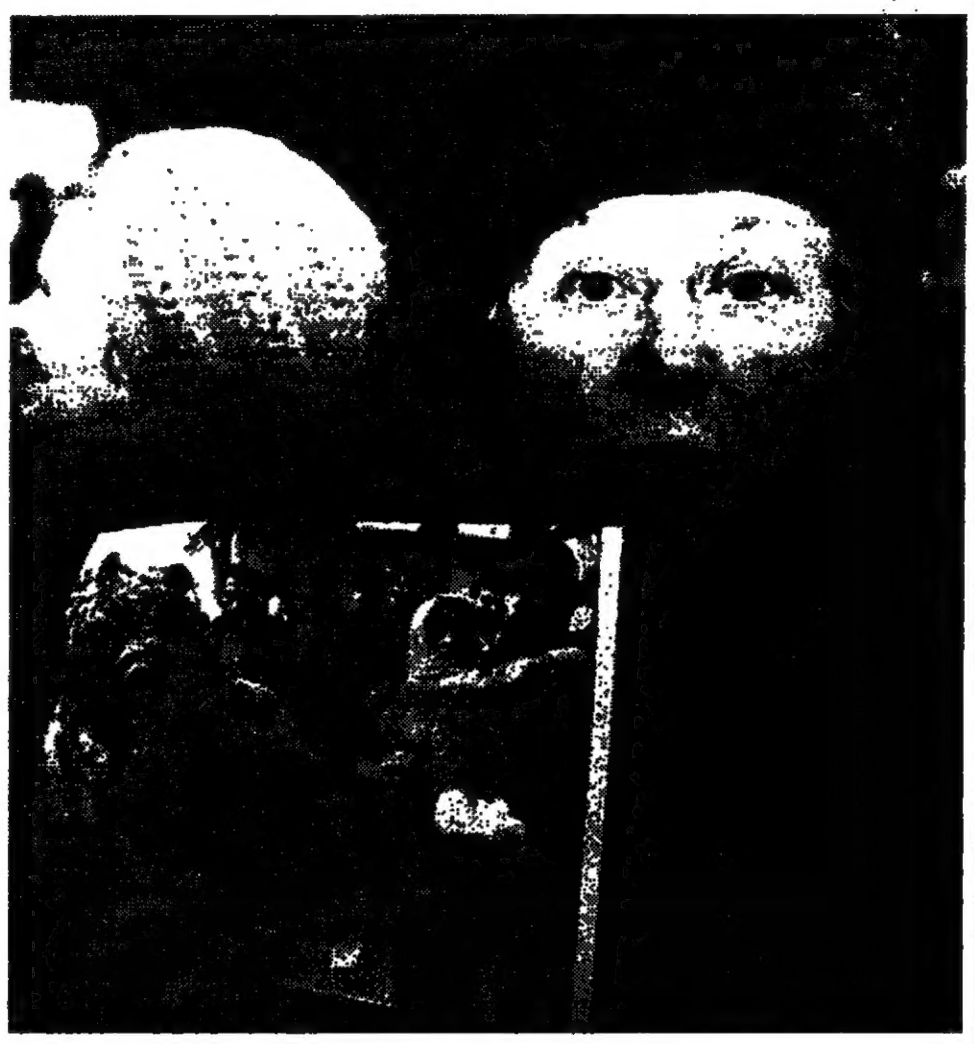
Nato officials said Mr William Taft, the US ambassador, told his colleagues at a weekly alliance meeting that pressure was building on Azerbaijan to "pursue a military solution" to the dispute with Armenia over the enclave.

In Baku, the Azerbaijani capital, opposition leaders demanded the resignation of President Ayaz Mutalibov for failing to defend the Azerbaijani population of Nagorno-Karabakh from Armenian fighters.

An emergency parliamentary session was called for today following an attack by Armenian militants on Khojaly, the second most populous Azerbaijani stronghold in the mountainous enclave. Azerbaijan says more than 1,000 people were killed in the attack on February 26 and 27. Armenia denies any massacre and says its people in the region have been forced to defend themselves against Azerbaijani aggression.

Médecins Sans Frontières said Azerbaijanis were flooding towards Baku to escape Armenian militia attacks in the city of Agdam just outside the enclave.

In London, it was announced that Mr Douglas Hogg, British Foreign Office minister, will visit Azerbaijan and Armenia next week for talks.



An Azerbaijani women protests outside the Russian parliament, holding a photograph of victims of an Armenian attack on the city of Agdam

Polish price deal fails to please farmers

By Christopher Bobinski in Warsaw

THE Polish government, which relies on farm interests for its parliamentary majority, could face protests from farmers' unions despite a controversial decision this week to introduce minimum procurement prices and subsidise farm credits.

The unions have long campaigned for minimum farm prices but it could prove a hollow victory as officials in the Ministry of Agriculture expect the government to fail to set the price of milk, wheat and rye at levels the farmers want.

Feelings in the countryside are running high as real incomes last year fell 40 per cent below 1989 levels while production in 1991 remained above the average of the late 1980s.

The government of Mr Jan Olszewski is under pressure from the International Monetary Fund to cut spending and keep the budget within Zl 65,000bn or 5 per cent of GDP.

It has already cut government spending on farm products while the increase in subsidised farm credits is below the rate of inflation. The only real concession to farmers is lower interest rates for the purchase of tractors.

EC unity sought for Earth Summit

By David Gardner in Brussels

MR Carlo Ripa di Meana, EC environment commissioner, warned yesterday that unless the EC could put together "a strong, unambiguous position," he would not attend the UN Earth Summit in Rio de Janeiro in June.

Mr Ripa di Meana listed five requirements, stressing particularly the need to agree on a location for the blocked European Environment Agency (EEA), and for a coherent policy to combat global warming.

"We must go to Rio, as it were, with a dowry," he said. "If we do not have this, I will not be participating in the conference, which will become a carnival of declarations in Copacabana."

The Portuguese presidency of the EC has to select a site for the EEA by March 23, after a Commission idea to rotate the headquarters was shelved.

France is blocking agreement until Strasbourg is confirmed as the definitive home of the European Parliament. Some officials believe Paris may now prove more pliable, faced with a rise in support for ecologists in regional elections later this month.

Copenhagen has been tipped as the likely seat of the EEA.

The EC would look "ludicrous" at Rio unless this impasse is unblocked, the commissioner said. It would be "vulnerable to the elementary remark that the Community has not set up its agency because it cannot agree where to put it."

On the Commission's controversial plan for a mixed carbon and energy tax to cut carbon dioxide emissions, Mr Ripa di Meana said: "We have to make up our minds and adopt the proposal...if we adopt this position, movement will be possible among our <trading> partners."

While Mr Ripa di Meana acknowledged that economic conditions may not allow the EC to go ahead with a tax unless the US and Japan could be persuaded to follow suit, he believes they are unlikely to do so unless the Twelve clearly demonstrate they are serious about using fiscal instruments to defeat the greenhouse effect.

The Commission yesterday formally endorsed plans to phase out chlorofluorocarbons (CFCs) and other ozone-depleting substances by the end of 1995.

'Poor environment to blame for most deaths'

By Frances Williams in Geneva

THREE-QUARTERS of all deaths worldwide are caused by diseases related to the environment and to lifestyle, especially infectious diseases and cancer, the World Health Organisation said in a report published yesterday.

Arguing that action to stop environmental deterioration was essential to avert potentially disastrous consequences for human health and survival, the report said 2.5bn people suffer from illnesses resulting from insufficient or contaminated water and lack of sanitation.

The 270-page report, "Our planet, our health", the UN agency's contribution to the Earth Summit in Brazil in June, calls for measures to reduce population growth, waste and overconsumption in industrialised countries and poverty.

The report says that while economic development has historically led to big improvements in human health, population pressures in poor countries and profligate lifestyles in rich ones are degrading the environment in ways that damage health.

It cites urban overcrowding and insanitary conditions, high levels of air pollution including indoor pollution from open fires, unsafe working conditions especially in poor countries, and growing pressures on water reserves.

International problems include acid rain, disposal of hazardous wastes, atmospheric ozone loss and global warming which may lead to crop failures and migration of diseases.

Italian defence chiefs told to halt criticism

By Robert Graham in Rome

ITALY'S defence minister, Mr Virginio Rognoni, yesterday issued a blunt warning to senior military officers to stop challenging proposals for a radical re-organisation of the country's defences.

In an open letter published in Corriere della Serra, he said the services had been fully consulted and had had ample opportunity to express their views during more than two years' discussion on a new defence strategy. "The time for discussion is over. . . and now the matter has passed to parliament," he said.

The proposals, involving a substantial cut in the armed forces, are to meet the changed requirements of the 1990s for Italy and the Nato alliance.

They have led to attacks from disgruntled high-ranking officers and the resignation of a senior general since being put to parliament on November 26.

The complaints have centred on plans to break up traditional units and establish new command structures co-ordinating the three services. There are also fears over lost jobs and continued low pay. Concern has also been voiced about de-militarisation of the para-military *carabinieri* police and creeping unionisation of military structures.

But this week General Luigi Federici, in charge of the Alpine corps, added another controversial ingredient when he complained that switching to a volunteer army would lead to "meridonialisation", with the bulk of recruits coming from the poorer south. Roughly 80 per cent of current volunteers come from the south. His comments appear to have spurred Mr Rognoni to read the riot act.

The reforms, to be examined by parliament after the April 5 elections, would cut at least 90,000 civilian and military personnel from the forces by the end of the decade. The cuts, equivalent to 23 per cent of the forces' 1990 strength, will be greatest in the army (28 per cent), followed by the air force (13 per cent) and navy (12 per cent), with a further 20 per cent among civilian employees. National service personnel will be halved.

The army, with a new rapid intervention role accorded by Nato for the alliance's southern flank, will be remodelled round 15 brigades instead of the present 25. Five will contain frontline troops trained for rapid deployment, including out-of-area actions. The navy will have less of an ocean-going role, while six air force squadrons will be cut and the number of air bases reduced from 24 to 20.

The overall cost of the changes is expected to add an extra L40,000bn (£18.5bn) to the defence budget over the next decade. However, this will help shift the burden of expenditure away from personnel costs and more towards matériel.

● Italy's inflation slowed to a three-year low of 5.4 per cent in February, down from a year-on-year 6.1 per cent the month before, Reuter reports from Milan. The figures will give a boost to government parties in the election campaign.

European airlines see recovery in business

By Daniel Green

EUROPEAN AIRLINES have recovered from the collapse in business caused a year ago by the Gulf War.

January saw 12.6 per cent more passenger traffic than a year earlier, when the Gulf War began, and a 6 per cent improvement on 1990, according to the Association of European Airlines (AEA).

"A measure of real market growth has resumed," it said.

The news follows figures from the International Air Transport Association, which showed a 14 per cent improvement in world air traffic over the depressed levels of January 1991.

Apart from links to the Middle East, which jumped almost 80 per cent from a low level, the AEA said that links with Latin America remained the fastest growing area. This was the best performing sector during 1991 and January showed a 20.8 improvement over the same month of 1991.

On the North Atlantic, the world's busiest long-haul route, traffic was 10 per cent up on 1991 and 8.6 per cent higher over two years.

While the figures for passenger travel encouraged the AEA, the outlook for air freight was less favourable. January freight traffic was still 3 per cent below its level of two years earlier.

Prague sets poll date

Czechoslovakia is to hold its general election on June 5 and 6, Reuter reports from Prague. The campaign is likely to be dominated by increasing demands in Slovakia for autonomy or independence.

A woman, whose husband is still missing, screams outside the Incirharmani mine near Kozlu, north-western Turkey, where a blast killed at least 82 miners and injured 87, Reuter reports from Turkey. Rescue efforts have been hampered by a build-up of methane and carbon monoxide gas in some parts of the mine. Mr Ozer Olcer, general manager of the state-run Turkish Coal Board, warned of the possibility of explosions and said bodies have been sealed into gas-filled galleries where rescuers have given up hope of finding survivors. Officials fear the death toll could reach 280.

Vance mission to calm Bosnia tensions

By Laura Silber in Sarajevo

MR Cyrus Vance, the United Nations special envoy, yesterday returned to Yugoslavia in an emergency mission to calm ethnic tensions among the three main national groups in Bosnia-Hercegovina.

Mr Vance's mission follows a weekend referendum in which Moslems and Croats, who make up 71 per cent of the population, voted to break away from Yugoslavia. The remainder, Serbs, refuse to leave the remnants of the Yugoslav federation.

Mr Vance was expected to arrive in Sarajevo, capital of Bosnia, today after meeting Serbian and Yugoslav army leaders in Belgrade, the Serbian and federal capital. Sarajevo was designated the headquarters for UN peacekeepers, but many fear the tensions in Bosnia could jeopardise the UN initiative to despatch 14,000 peacekeepers to neighbouring Croatia.

Barricades have been erected, intermittently disrupting Sarajevo, as well as Visoko, Pale and Romanija, predominantly Serb villages outside the capital. But federal armoured vehicles yesterday rumbled through the city to prevent militants from blocking main roads. Joint police and army patrols were part of the peace agreement reached late on Tuesday night which staved off the threat of open warfare between Serbs and Moslems.

A statement yesterday from the Serb headquarters, however, said: "People here have lost faith in the possibility of a political agreement with the Moslem people."

In northern Bosnia an agreement yesterday between Serb and Croat political parties was reported to have halted fighting in Bosanski Brod, where 60 mortar bombs hit the town in an overnight attack. The 33,000 population of the town, which borders Croatia, is 41 per cent Croat and 33 per cent Serb. Most spent Tuesday night in underground shelters.

Radio Sarajevo reported two people were killed on Tuesday night in Gacko, southern Bosnia.

● The Commonwealth of Independent States, itself beset by ethnic turbulence, has decided to send 900 volunteers to join UN peacekeeping forces in Yugoslavia, Leyla Boulton writes from Moscow.

Colonel Viktor Loginov, an, Afghan veteran, will command the infantry battalion made up of elite paratroopers.

EC food credit signed for Russia

By Quentin Peel in Bonn

AN Ecu500m (£350m) line of credit guaranteed by the EC for supplies of food and agricultural products to the former Soviet Union, delayed since November because of the political turmoil in Moscow, has finally been signed, for Russia alone.

Deutsche Bank, whose Luxembourg subsidiary is the lead bank of the consortium providing the EC-guaranteed credit, said yesterday the necessary legal and financial alterations to the contract had been agreed. Meanwhile, an unidentified number of banks in the consortium have dropped out, their participation taken over by Deutsche Bank. The turnover is not a response to uncertainty in the former Soviet Union, because the entire credit enjoys an EC guarantee.

The delay was caused by uncertainty over the status of Vnesheconombank, the foreign trade bank of the former Soviet Union, whose status Russia has reduced to agent responsible for repaying historic debts. In this case, it has been allowed to take on a new loan, probably its last, because the deal was agreed before the Soviet Union collapsed.

"The Vnesheconombank can now open letters of credit in favour of the exporters," the Deutsche Bank said yesterday.

The fact that the entire credit will now go to Russia was determined by the fact that the Vnesheconombank is now entirely controlled by that country, the bank said. The other republics will have to seek their share of EC food credits from the subsequent Ecu1.25bn – still blocked by disagreement over counterpart guarantees from Russia.

Protests grow as Portugal faces up to Euro-integration

Lisbon's social democrats are under attack on several fronts, writes Patrick Blum

JUST AS everything was running smoothly with Portugal's six-month presidency of the European Community, a wave of protests has acted as a sharp reminder of the difficulties for the country as it faces the demands of European integration.

The protests have different origins – mainly pay for public-sector workers, working conditions for some professions and an unpopular exam for students – but they have brought to the surface discontent and thrown the social democratic administration of Prime Minister Aníbal Cavaco Silva on the defensive.

The scale of student protests took everyone by surprise. For several days last month, thousands of students carried out wild-cat actions blocking streets, causing traffic chaos and leaving the police bewildered. Lisbon faces more chaos today, with another public transport strike and possible further disruption by students.

The students want the controversial PGA exam – the key to higher education and university entrance – to be abolished. They say it favours better-off students by focusing on broad cultural questions which are often not covered in the official syllabus.

They have won widespread sympathy, and support from the opposition socialists, who were delighted to find a popular issue with which to attack the government. Mr Diamantino Durao, the education minister, hastily declared his own doubts about the PGA, agreed to review the exam's content and said dissatisfied students could sit it again in May.

In the public sector, wages are the main concern. A government offer of an 8 per cent pay rise, in line with its inflation forecast, for public administration employees was thrown out by the unions who want double-digit rises.

Demonstrations followed, and the unions called a one-day nationwide strike, which prompted the government to retreat from its "final" offer and enabled it to reach an agreement with the more moderate of the two main unions for a basic 10 per cent rise which, according to economists, will increase the total wages by around 14 per cent.

Nevertheless, the strike went ahead, paralysing public transport and disrupting public administration, the health service, education, and the judiciary. The left-wing CGTP union confederation has called for another day of nationwide action later this month.

The number of strikes is rising: there were 60 strikes and stoppages in January, almost double that in January 1991 and the worse record since 1986.

The private sector has been practically strife-free, but that may change as restructuring begins to hurt traditional industries such as textiles where extensive lay-offs are inevitable.

The deepening crisis in agriculture is another source of concern and area of potential conflict. Small farmers, who see their livelihood threatened by the advent of the EC single market, gave a foretaste last July of their likely reaction to any deal to reform the Common Agricultural Policy. They rose up against their own unions, blocking roads with tractors until paramilitary police cleared the way.

The government's problem is that it must make tough adjustments now to meet its ambitions targets for European economic union in the second half of the 1990s. The budget deficit and inflation have to be reduced substantially, while growth and investment must be maintained at higher than the EC average. Its dilemma is that giving in to popular demands would undermine its economic convergence strategy; resisting the pressures would deprive it of more popular support.

In theory, the government is safe from political upsets. The ruling Social Democratic party (PSD) won an absolute majority of votes and parliamentary seats in last October's general election, and Mr Cavaco Silva – as the architect of that victory – has his party firmly under control.

The opposition is in disarray, and the Socialist Party (PS), which is the only political force potentially able to challenge the government, has just elected a new leader in an attempt to revamp its image following its poor showing in the elections, when it received less than 30 per cent of the vote. Mr Antonio Guterres, the party's new general secretary, will need to apply all his political skills if he is to provide the fractious socialists a new sense of direction.

For the time being, public and social pressures will worry the government most, especially as it is keen to avoid unrest during its stint in the EC presidency.

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Hong Kong cuts company tax and seals loopholes

By Simon Holberton

A RISE in the corporate tax rate and the closing of some tax loopholes were the key features of the Hong Kong government's budget presented yesterday by the colony's new financial secretary, Mr Hamish MacLeod.

The colony's corporate tax rate was raised by 1 percentage point to 17.5 per cent – a measure that had been well leaked and discounted by the stock market.

The budget was billed by the government as one for the man-in-the-street, a departure for an administration seen as avowedly pro-business and a sign that Hong Kong's experiment with limited elective democracy is having an effect on at least the government's presentation of policy.

Mr MacLeod said his budget measures were framed against an economic background which would see the economy expand by 5 per cent in real terms this year after 4 per cent growth last year. Trade, the backbone of the colony's economy, was expected to be buoyant with exports growing by 14 per cent.

Although he was accused of not doing enough for the less well off while penalising business, his measures are likely to pass through the Legislative Council without serious amendment.

Mr MacLeod said stamp duty on share transactions would be lowered to 0.4 per cent from 0.5 per cent although duty would be extended to covered warrants.

He also promised legislation to close tax loopholes which have allowed companies to avoid taxes, especially car dealerships which fudge the true cost of imported vehicles to pay less tax.

A combination of higher land sales, faster growth, and less capital spending due to delays with the new airport project boosted the government's surplus to HK$14.1bn (£1.03bn) from a forecast HK$1.3bn in last year's budget. The surplus is forecast to fall to HK$5.1bn this financial year.

He said the government would consider privatising businesses which it owned. The most likely candidate would be the Kowloon to Canton Railway – one of the few truely profitable railways in the world – although officials said no serious work had yet been done.

Japanese companies to reduce capital spending

By Robert Thomson in Tokyo

JAPANESE companies plan to reduce capital spending by 4 per cent during the financial year beginning next month, suggesting that the weakness in the economy will continue, according to a survey by the Industrial Bank of Japan.

The planned fall in investment follows an expected 5.4 per cent increase in the current year and double-digit growth in the three previous years, and highlights industry's expectation of slower domestic demand and a faint international recovery.

Manufacturing companies told the bank that capital spending for the coming year is likely to fall by 10.7 per cent, while non-manufacturing industry expects a 3.1 per cent drop. Electric power companies expect a 6 per cent rise.

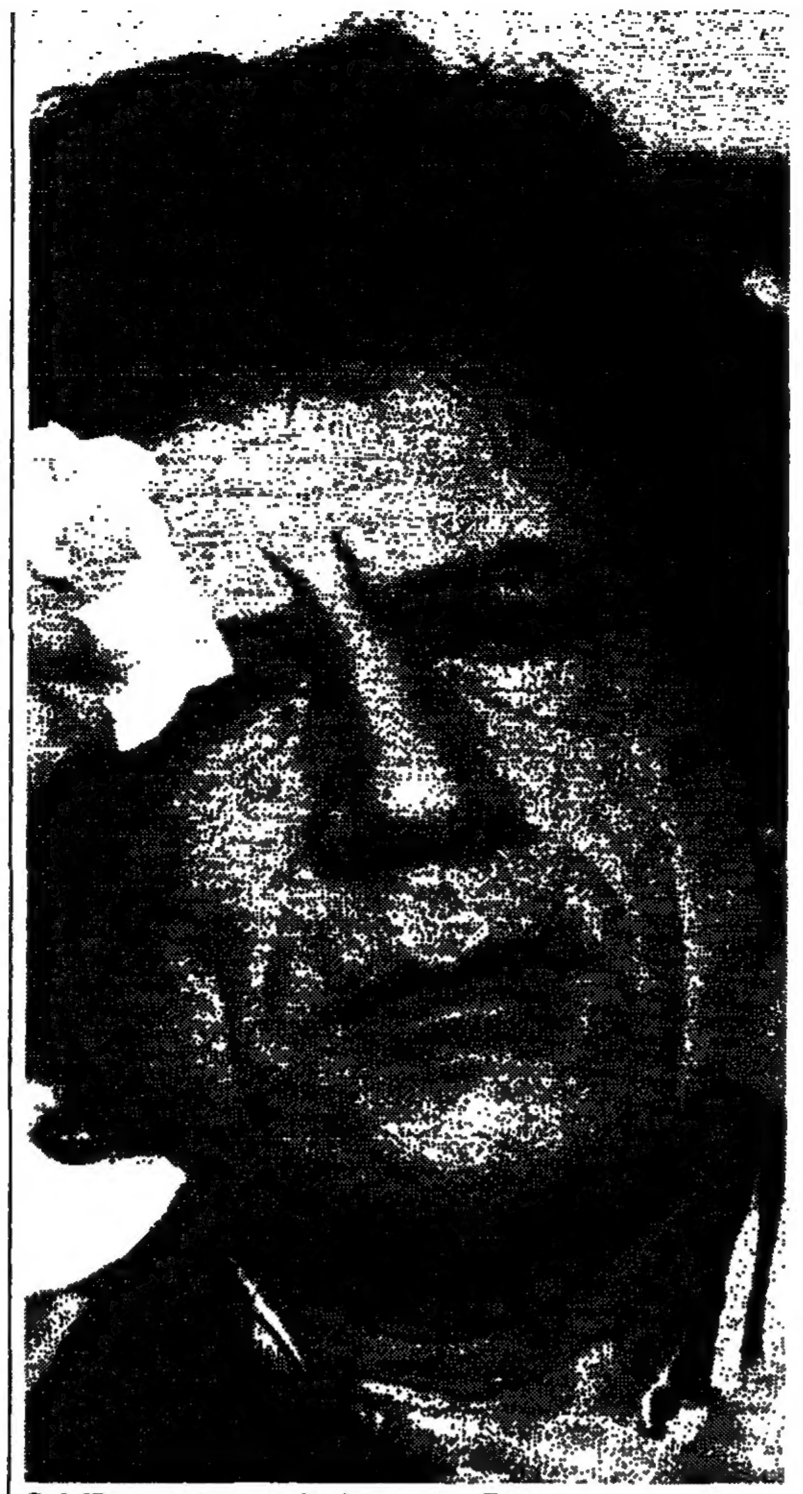
The bank said that the investment decline forecast by manufacturing companies was the largest reported in its surveys since 1978, while the fall in the non-manufacturing sector is the first in two decades.

Capital spending has also been slowed by turmoil on Japan's financial markets as companies had tapped the stock market for low-cost funds in the late 1980s to expand capacity and introduce labour-saving technology to cope with the country's labour shortage.

The predicted falls follow years of rapid growth and reflect a readjustment of inventory that the Bank of Japan argues is to be expected for an economy returning to more normal rates of expansion.

Electrical machinery companies, some expecting a loss this year, are planning to cut capital spending by 19.9 per cent. The car industry, which has experienced eight consecutive months of lower domestic sales, is predicting an 8.5 per cent fall.

Mr Takeshi Nagano, president of the Japan Federation of Employers' Associations, called for the Bank of Japan to lower the official discount rate (ODR) as soon as possible. He also urged Japanese workers to exercise restraint in forthcoming spring wage negotiations.



Gadaffi: economic expansion into western Europe

Much of Libya's money has long been on the move

AS INTERNATIONAL pressure has grown for sanctions against Libya, so has Libyan concern risen about the safety of both its deposits in overseas banks, along with its substantial downstream investments in Europe.

It should be no surprise, therefore, given the precedent of the US freeze of Libyan assets in January 1986 in reprisal against its alleged involvement in terrorist attacks in Rome and Vienna, that Libya has done what it can to protect its assets.

Libya holds around $6bn (£3.4bn) in liquid assets in reporting countries of the Basle-based Bank for International Settlements, and, according to Arab and European bankers, it has shifted between $2bn and $3bn of this towards banks in the Middle East, particularly those in Bahrain and other Gulf centres, from London and other European centres deemed in Tripoli to be vulnerable.

So far, however, there is no sign that Libya has been seeking either to liquidate its substantial European investments, or to change ownership structures to afford these investments greater protection from possible predators. Libya's most substantial European interest is its Tamoil petroleum distribution network in Italy and Switzerland, where Tamoil Italia and Tamoil Suisse have 5 per cent and 8 per cent of the refined-product market respectively.

Tamoil, purchased by the Libyans in 1986 from Lebanese investor Roger Tamraz, is continuing its aggressive expansion in its core Italian market and also spearheading a Libyan drive into Eastern Europe. The Italian press is reporting that Tamoil Italia is seeking to purchase 150 petrol stations from the Genoa-based Camell Company for $48m to add to its more than 1,000 service stations.

Libya may well feel that there is not much more that it can do to shield its European oil sector investments, channelled through its Netherlands Antilles-registered investment vehicle, Oil Investments International Company (OIIC). Oilinvest is, in turn, jointly-owned by Libyan state institutions: the Libyan Arab Foreign Bank (LAFB), the Libyan Arab Foreign Investment Company (Lafico), and the Libyan National Oil Company (LNOC). Oilinvest, established in 1988 to provide an umbrella for Libya's European investments, has subsidiaries in Amsterdam and Zurich.

Libya may also have reckoned that if economic sanctions were imposed, they would be relatively short-term and therefore would not affect its long-term strategic investments.

But these calculations have not prevented the Libyans from battening down the hatches. According to reports from Tripoli and from European bankers, the government has stockpiled foods and medicines, frozen as far as possible all non-essential imports and halted some projects altogether.

Libya is also concerned that Britain, the US and France might seek to impose an embargo on its oil exports, albeit reluctantly, since the decision would harm consumers in Europe, for which Libya is a leading supplier. Italy, Germany and Spain are the largest purchasers of Libyan crude, together accounting for about 75 per cent of Libya's oil exports, and the Italian state company ENI has about 45 per cent of its reserves in Libya.

> It should be no surprise, writes **Tony Walker**, that the country has done what it can to protect its assets

The US, meanwhile, is quietly pressing ahead with its own programme of isolating Libya economically. The US Treasury Department's Office of Foreign Assets Control, the body charged with enforcing the 1986 trade embargo and asset freeze instituted by the Reagan administration, is preparing an enlarged list of Libyan companies and individuals with whom US business may not deal.

OFAC officials say that not only will more institutions be added to the 60 already on the list, but additional enforcement measures will be adopted. OFAC has been looking particularly closely at Libya's European investments. Last August, when the latest OFAC listing was released, Mr Richard Newcomb, its director, warned that the "recent Libyan economic expansion into western Europe increases Col Muammer Gadaffi's ability to promote and finance terrorist activity".

However, the ability of the US to interfere with Libyan activities in Europe is constrained because they fall outside US jurisdiction and do not, as a rule, involve US companies.

US companies and individuals engaging in business with Libya, or with those described as "specially designated nationals"(SDNs), are liable to maximum criminal penalties of $500,000 per violation for corporations, and $250,000 for individuals, plus prison sentences of up to 12 years for individuals and senior corporate officers. Among the SDNs are such prominent Libyan businessmen as Mr Abdullah Saudi, president of the Bahrain-based and highly regarded Arab Banking Corporation (ABC), an attractive-looking destination for some of the Libyan funds moving out of Europe, although Mr Saudi yesterday denied this. "We've seen no change in our position, even as client," he said.

Libya, together with Kuwait and the United Arab Emirates, is co-owner of ABC. Its share is between 25 and 30 per cent. Libya also has a controlling interest in Al-Ubaf, the Bahrain offshore banking unit which is part of the increasingly loosely associated Union de Banques Arabes and Françaises (Ubaf) group.

OFAC officials would not be drawn on what additional measures against Libya are being contemplated, but a weakness of the US embargo has long been the ability of US companies to circumvent the ban on dealings with Libya by channelling their Libya business through European subsidiaries.

Meanwhile, the latest international row over Libya's alleged terrorist activities is also bad news for five US oil companies – Conoco, Amerada Hess, Marathon, W.R. Grace and Occidental – who are waiting for the US to lift its 1986 ban on their doing business there. According to the US General Accounting Office in these companies are losing between $2m and $25m per day through their absence from Libya. Some $2bn to $4bn in assets of the five are frozen in Libya.

Additional reporting by Mark Nicholson in London.

Nigeria ponders devaluation in bid to renew IMF links

By Michael Holman in Lagos

NIGERIA'S military government was last night considering a devaluation of the naira as part of efforts to put the country's economic reform programme back on course and renew a lapsed agreement with the International Monetary Fund.

The IMF agreement is a condition to further rescheduling of the country's $34bn external debt, of which $17bn-$18bn is owed to Paris Club creditors.

Nigeria hopes to hold talks with the club later this year.

The ground for the devaluation was prepared earlier this week. Bankers in Lagos said that they expected the central bank to announce today that the official rate of the naira had fallen from 10.56 to between 13 and 14 to the US dollar.

The new rate will have been determined at yesterday's weekly auction of foreign currency by the central bank. A bank official said he expected today's announcement to disclose a devaluation of around 30 per cent.

Such a substantial drop would not take place without the endorsement of President Ibrahim Babangida, thought to be consulting senior advisers before giving the final go-ahead.

Although the weekly opportunity for banks to bid for foreign exchange is called an auction, the rate is in effect decided in advance by informal discussions within the banking sector.

Discussions earlier this week paved the way for higher bids. Lagos bankers say there may be further falls in the coming weeks in an attempt to close the gap between the auction rate and local currency bureaux.

The gap has been widening over the past few months, and before yesterday's measure the bureaux were offering between 18 and 19 naira to the dollar. The rate was unchanged as dealers awaited an announcement.

The proposed devaluation, likely to be accompanied by a liquidity squeeze on the banks, was welcomed by some western creditors as an essential, but belated, effort to revive a faltering structural adjustment programme.

Government officials have said that a devaluation would show creditors that Gen Babangida has not lost the political will to pursue the reform programme he launched in mid-1986.

Critics, however, point out that the president has presided over a surge in public spending over the past 18 months, much of it on uneconomic projects, and often by-passing normal budgetary procedures. There is concern that a drift in economic management could leave the civilian administration, due next January, with an unmanageable economic inheritance.

Yesterday's move coincides with the visit to Lagos by a team from the IMF. In a mid-term review last year, the Fund criticised government's failure to fulfil the terms of a SDR319m 18-month standby agreement which expires on April 8.

One of the main conditions to a new standby agreement is that the government reforms Nigeria's complex exchange rate system which allows scores of recently formed small banks to benefit from the wide margin between the official rate and market demand.

The World Bank has calculated that in 1990, when the spread between official and parallel rates averaged 20 per cent, the effective subsidy was some $500m.

The World Bank has argued that genuine foreign exchange auction would remove much of the spread and increase government revenue. But many of the 80 or more banks that have entered the market since 1986 would not survive the squeeze. Hence this group of banks, many of which have close links with government, has a vested interest in the status quo.

Indonesia warns over Portuguese peace ship

INDONESIA yesterday warned that passengers on a Portuguese "peace ship" would be arrested and deported if they tried to land in East Timor, where at least 50 pro-independence demonstrators were killed in November, Kevin Brown writes from Sydney.

The ship, a Portuguese car ferry called the Lusitania Expresso, is expected to arrive at Darwin at the weekend before crossing the Timor Sea to Dili, capital of East Timor. The ship is believed to be carrying about 100 protesters from Portugal, and will pick up a further 80 in Darwin, including General Antonio Ramalho Eanes, the former Portuguese president.

The passengers hope to lay wreaths at the Santa Cruz cemetery in Dili, where most of the pro-independence demonstrators were killed when Indonesian troops opened fire on a funeral march. They have refused to apply for Indonesian visas because Portugal does not recognise Indonesian sovereignty over East Timor. Indonesia invaded East Timor in 1975 after the withdrawal of Portuguese forces.

General Try Sutrisno, head of Indonesia's armed forces, said the protesters were attempting to provoke Indonesia, which regards East Timor as an integral part of its territory. He said the ship was banned from Indonesian waters, and its passengers would be treated in line with international and Indonesian law if they tried to enter the country.

"We are doing this to safeguard our integrity and sovereignty," he said.

The use of Darwin as a jumping off point for the ship has embarrassed the Australian government, which criticised the massacre but has not reassessed diplomatic and commercial links with Indonesia. However, the government has allowed protesters arriving by air to enter the country, and is not expected to try to stop the ship sailing for Dili.

● An appearance by French parliamentarians before a New Zealand committee yesterday degenerated into a sarcastic row with former prime minister David Lange over the Rainbow Warrior affair, Reuter reports from Wellington.

The exchange at a parliamentary select committee briefing ended with French delegation leader Mr Gilbert Gantier telling Lange: "I don't think you are working very much for the friendship between our two countries."

Relations between France and New Zealand have been at a low ebb since French secret agents bombed the Greenpeace boat Rainbow Warrior in Auckland harbour in 1985.

The row erupted again late last year when one of the alleged bombers was arrested in Switzerland and New Zealand indicated it would seek his extradition. Wellington eventually backed down in the face of veiled French threats of trade retaliation.

Algerian court orders FIS dissolution

AN Algerian court yesterday ordered the dissolution of the Islamic Salvation Front (FIS), two months after the fundamentalist party was denied almost certain victory by the cancelling of parliamentary elections, Reuter reports from Algiers.

The decision, which takes effect in one week but is subject to appeal, closed off any other legal outlet for FIS militants who wanted to make Algeria an Islamic state.

Diplomats have said they feared a ban would drive hardline FIS members to violence, operating underground.

Mr Larbi Belkheir, the interior minister, had asked the court on February 9 to order the dissolution or suspension of the FIS, accusing the party of multiple violations of the law.

The same day, the authorities ordered a 12-month state of emergency, opening internment camps to hold detainees.

In its last communiqué before the court order, the FIS said those thwarted from the legal path would have every reason to turn to "other means."

● Algeria yesterday reached agreement with a group of international banks on a $1.5bn loan to refinance its principal commercial bank debt, writes Alice Rawsthorn in Paris.

US seeks peace talks review

By Roger Matthews in Washington

MR James Baker, the US secretary of state, yesterday intervened in the Middle East peace process by asking each of the five delegation leaders to review with him what had been achieved at the conclusion of the fourth round of bilateral negotiations.

The Palestinians, Jordan, Syria and Lebanon will hold their own co-ordinating session in Washington before returning home.

One of the proposals they may put to their governments is for an Arab League meeting to be called this month to seek endorsement for continued participation in the peace process.

Members of the Palestinian and Syrian delegations say they are increasingly convinced Israel has no intention of negotiating on the basis of UN resolutions 242 and 338 which call for an exchange of occupied territory in return for peace.

With Israel continuing to expropriate more land in the West Bank and Gaza and pressing ahead with settlement building, they say it is difficult to justify participation in the peace process.

However, they accept that withdrawing would hand a propaganda victory to Israel and would alienate the US.

With Israel's hopes of securing $10bn in loan guarantees from the US having all but evaporated, the choices to be posed in the June 23 general election have become more apparent. Mr Yitzhak Rabin, leader of the opposition Labour Party, has pledged to stop building new settlements in the occupied territories, which would release the US loan guarantees, and has said he would give Palestinians the choice of being federated with Jordan or with Israel.

The delegations have not set a time or venue for the next round of negotiations. Israel is demanding that they should move closer to the Middle East while the Arabs want to return to Washington.

Arabs held after soldiers' deaths

By Hugh Carnegy in Jerusalem

FOUR Arab Israeli citizens have been arrested in connection with the killing of three Israeli soldiers at an army camp last month. It is the most serious act of political violence of which Israeli Arabs have been accused in more than four years of revolt against Israeli rule in the neighbouring occupied territories.

Mr Ya'acov Terner, Israel's chief of police, said last night that four men, two of them brothers and one an electronics graduate of Tel Aviv University, had confessed to the killings.

Mr Terner said they were an isolated cell of the Islamic Jihad fundamentalist organisation and he called on the public not to harm Arab citizens in revenge. "We must not make generalisations about Israeli Arabs," he said.

Arabs living within Israel, who have full Israeli citizenship and make up more than 15 per cent of the population, have demonstrated in sympathy with the uprising.

However, their leaders have been careful to avoid coming into conflict with the authorities, publicly acknowledging a distinction between their status and that of the Palestinians living in the West Bank and Gaza Strip.

The killings exposed a breach in army security and shocked the Israeli public. The soldiers, including two recent Russian immigrants, were hacked to death with axes, knives and a pitchfork in their tents late at night.

NEWS IN BRIEF

Prince chides world wildlife 'PR' attitude

Britain's Prince Philip chided representatives of 114 governments at an international wildlife conference yesterday for regarding conservation as a "PR exercise", and argued that the illegal wildlife trade is "just as dangerous" as the drug trade, Robert Thomson writes from Tokyo.

The prince's speech to the triennial conference of the Convention on International Trade in Endangered Species (Cites) came as developing countries complained that wealthier nations are attempting to transform them into fauna parks and history museums. Government delegates to the two-week conference in Kyoto are considering proposals to protect or to relax protection on 97 types of flora and fauna, including elephants, bluefin tuna, and tropical timbers, as well as many lesser-known species.

Japanese customs officials said yesterday that they had uncovered an illegal ivory shipment of about 370kg in a container from a vessel that had docked at Kobe after travelling to South Africa, via South Korea, Taiwan and Singapore. The haul is the second largest found in Japan since a 1989 ban on the ivory trade, and follows the discovery of an 800kg shipment of tusks last April.

Jordan suspends call-up

Jordan, still officially at war with Israel, yesterday announced plans to suspend compulsory military service to try to help forge a more cost-effective, modern army, Reuter reports from Amman.

Mr Sharif Zeid bin Shaker, the prime minister, asked the lower house of parliament to give the government authorisation both to stop the two-year draft programme and to reactivate it when needed. The 80-seat house is likely to endorse the plan on Sunday.

The small army, a major source of King Hussein's power, is widely respected as a disciplined, well-trained force.

Bin Shaker said lessons drawn from the Gulf war last year showed career soldiers performed much better than conscripts.

Taiwan's payments surplus soars

Taiwan's balance of payments surplus soared to US$7.6bn [illegible]t year from just $55m in 1990 as capital outflows slowed dramatically, Reuter reports from Taipei.

The appreciation of the Taiwan dollar and local interest rates well above US rates fuelled huge flows of capital into the island, largely offsetting capital outflows for investment, the central bank said yesterday.

Taiwan's merchandise trade surplus, which rose 5.1 per cent to $15.69bn last year according to the bank's system of counting, also boosted the balance of payments.

Police teargas Nairobi protesters

Kenyan riot police fired teargas at crowds of stone-throwing demonstrators in Nairobi yesterday in the second day of protests over the clubbing by police of women hunger strikers, Reuter reports from Nairobi.

Gangs of youths set ablaze unmarked cars, believed to belong to government security agencies, and hurled bricks at police around a main bus terminal.

The unrest is the worst confrontation between police and anti-government demonstrators since President Daniel arap Moi gave way to pressure at home and abroad last December and said the country would switch to a multi-party system.

India speeds up moves to cut financial support to public sector

By David Housego in New Delhi

THE Indian government is cutting financial support to the public sector – once the keystone of Indian socialism – more rapidly than official policy pronouncements suggest.

The administration of Mr P V Narasimha Rao, the prime minister, is seeking, however, to minimise job losses that could lead to a confrontation with labour. He told parliament yesterday that as of now "not a single worker has been thrown out of employment".

His statement came as the Janata Dal and left-wing parties called for a national strike to protest against what they call "an anti-poor" budget.

Senior officials disclosed yesterday that the government's net contribution towards capital spending by the public sector – steel, railways, fertilisers and other state-owned industries will drop next year by 16 per cent to Rs35.3bn (£768m). As a result the government's net share of capital spending by the public sector will have fallen to 9.6 per cent from 18.5 per cent only four years ago.

The net figures, which are not normally made public, exclude foreign assistance to the public sector through bilateral or multilateral donors. Total capital spending by the public sector will none the less rise marginally next year, reflecting an improvement in the ability of state-owned companies to generate more funds internally.

In addition to a smaller contribution to the public sector, last Saturday's budget also includes a 41 per cent reduction to Rs4.4bn in central government lending to cover public sector losses. Under an understanding with the World Bank, these loans are to to be phased out in three years – forcing closure or rationalisation of almost 50 companies which have been making persistent losses.

The budget makes allowance for about 100,000 public sector workers to be made redundant this year – mostly textile workers employed by mills nationalised because the private sector was unable to finance their losses. The government wants to avoid large retrenchments in both public and private sector companies that are paying their way.

Indicating this week that the government was in no hurry to push through legislation to make it easier for industry to reduce its labour force, Dr Manmohan Singh, the finance minister, said the government would proceed on a case-by-case basis.

He said there was no need for the "excessive publicity" and the "fuss" that would go with an official policy on closures and retrenchments.

GE expanding its business links in India

By David Housego in New Delhi

GENERAL Electric, the US electrical and plastics conglomerate, is expanding its business in India in moves seen as reflecting a more optimistic assessment of India's prospects by foreign investors.

The group said yesterday it had committed Rs1bn (£21m) of fresh equity capital this year to new joint ventures in India in electrical appliances, medical systems, engineering plastics and lighting.

GE is also discussing tie-ups with Indian public-sector companies to make defence, aerospace and transport equipment. It is bidding to build, own and operate a 800-900MW power station for Delhi.

"The potential of expansion [in India] over the next 10 years is unequalled," said Mr Paola Fresco, senior vice-president (international) in New Delhi yesterday. Similar opportunities could only be found in south-east Asia and Mexico.

GE's increased commitment to India could provide a catalyst for other foreign investors, as had GE's entry into Hungary with the collapse of communism there.

GE is taking a 40 per cent stake in a tie-up with Godrej and Boyce, the Indian consumer appliances company, to make washing machines, refrigerators and compressors, for the Indian market and abroad through GE's sales network.

GE will contribute its share of the Rs1.2bn equity in fresh foreign funds for a new plant at Malanpur in Madhya Pradesh. Godrej will make its contribution through transfer of existing plant.

Other new ventures include: a 50/50 joint venture with the state-owned Indian Petrochemicals Corporation to make engineering plastics for the electronics; automotive and appliance industries, involving equity capital of $35m (£20.4m); and a venture with Wipro, the Indian electronics company, to make medical systems with the two sides sharing the $10m equity capital.

GE is also involved in talks with two of India's biggest public-sector corporations over licensing agreements in aerospace, defence and locomotive technology.

Siberian plant to be built from gas profits

GASPROM, the former Soviet Union's gas monopoly, is being allowed by the Russian government to use part of its export profits to raise $550m to build a polyethylene plant in western Siberia, Leyla Boulton reports from Moscow.

John Brown of the UK and Linde of Germany have already completed a $8m feasibility study. But Deutsche Bank and Morgan Grenfell, the banks involved in the project for the past two years, have failed to raise capital for it, mainly because the only repayment offered by Moscow for loans was from future profits of the polyethylene plant, expected to take up to three years to build.

The plant will produce polyethylene for the plastics industry from ethane burned off from the Urengoi gas field, which is connected to a pipeline supplying western Europe. The offer of gas is expected to make the project more attractive to financiers, who will have the opportunity to be repaid from gas exports starting in 1993.

The Russian side has spent Rbs150m preparing infrastructure for the project. Gasprom exports 103-105bn cu metres a year.

Don't junk Gatt, says ITC chief

'Old Ugly is better than Old Nothing,' Nancy Dunne reports

MR DON Newquist, the new chairman of the US International Trade Commission (ITC), is not a fan of the General Agreement on Tariffs and Trade (Gatt) but has nevertheless concluded that "Old Ugly is better than Old Nothing". (Texan-to-English translation: "The current international trading system is preferable to no system.")

"I see the Gatt as unwieldy, ineffective, and I damn sure wouldn't want my money at risk in that type of decision-making environment," he said. "Even saying that, it's the best you got. Don't junk it."

Nor does the former Texas businessman much like the reforms proposed by Mr Arthur Dunkel, Gatt's director-general: "If I were a member of Congress, I'd be seriously concerned about turning over the administration of my trade laws to an international bureaucrat in Geneva. In fact, I wouldn't do it!"

The ITC is the independent agency designated to rule on complaints by US businesses which believe that they have been injured by imports. It is supposed to be both non-partisan and non-political.

Commissioners serve nine-year terms; no more than three of the six members can be from one political party.

Mr Newquist is the first

Newquist: 'Texas all the way'

Democrat chairman since Mrs Paula Stern served from 1984 to 1986. The Republican Reagan and Bush administrations ignored the legislative intent by appointing "independents" thought to be free-traders and as few Democrats as possible.

The new chairman calls himself "Texas all the way." He was born in the state in 1943, grew up in small Swedish Lutheran community, near a cousin - Mr Charles Stenholm - who became the district congressman. Living on a farm concentrated his mind on getting a job in town, he says.

He attended college in Texas, served in Vietnam as a Navy public affairs officer, and progressed in his business career mostly in Texas, until he asked Texan Senator Lloyd Bentsen for a job in Washington.

Mr Bentsen is chairman of the Senate Finance Committee, which holds jurisdiction over trade matters; so, in 1988, Mr Newquist ended up at the ITC, an agency of which he had not heard until he had come to the capital with a group of oil industry lobbyists.

He still seems a stranger in the world of "dumping margins," "de minimus" and "culmination", acknowledging he relies heavily on his staff in legal matters.

Mr Newquist is intensely interested in the politics of trade, and the talk ranges from the North American Free Trade Agreement (which, like most other Texans, he favours strongly) to Gatt Plus (a proposal by Senator Bentsen for those countries which want to sign up for stronger trade rules than are agreed in Gatt).

He is in favour of "levelling the playing field" for US companies which have to bear the burden of environmental costs.

Mr Bentsen said he recommended Mr Newquist for a commission seat to provide a business angle among the array of economists, political scientists and lawyers who generally serve on the board. Mrs Stern says it is "valuable" to have someone on the board who knows how a company's fortunes can depend on ITC decisions. "You have to be a very neutral judge, applying very specific laws to some very specific economic phenomenon," she says.

Mr Newquist tends to vote for domestic industries rather than against them. Mrs Stern said that under the Reagan and Bush administrations, trade was politicised, relief being granted to industries only when politically expedient. This signalled the White House would only act "when kicked".

Ultimately, Senator Bentsen refused to approve any presidential appointees until Mr Bush nominated a Democrat chairman and ensured three members from each of the two parties.

Under the "sunshine laws," government decision-making must be taken in public.

Commissioners have been accustomed to make their voting decisions alone with their staffs, but Mr Newquist hopes to promote more open, collegial debate. "I was shocked to find out we vote on something before we explain to people why we have done it," he said. "That dog just won't hunt any more."

US group wins Kuwait refinery repair deal

By Mark Nicholson

KUWAIT has awarded Foster Wheeler of the US a contract worth an estimated $47m to manage refurbishment of its three war-damaged oil refineries.

The contract is the first formally awarded to repair the Mina Abdullah, Mina al Ahmadi and Shuaiba refineries, where early ad hoc repairs have so far been undertaken under the auspices of Bechtel of California.

Foster Wheeler, which beat strong competition from Fluor Daniel and Brown & Root to win the deal, will undertake detailed damage assessment and offer consultancy services for overall repair of the three plants, an exercise expected to cost $2bn overall, in the next two years.

Mr Homoud al Rqobah, Kuwait oil minister, said recently the repair work would include an element of upgrading all three refineries.

The three at present produce a total 270,000 barrels a day (170,000 b/d from Mina Al Ahmadi and 100,000 b/d from Mina Abdulla) of a pre-war capacity of over 700,000 b/d. It is hoped capacity will reach 850,000 b/d by next year.

Citroën near accord on Chinese factory

By Kevin Done in Geneva

CITROEN, a division of Peugeot, the French car maker, expects to reach final agreement shortly with the Chinese government to set up a car assembly plant in central China.

Mr Jacques Calvet, Peugeot chief executive, said yesterday that the deal, the most ambitious car project undertaken by the Peugeot group outside Europe, should be completed by the end of April.

Citroën is to take a 30 per cent stake in a joint venture with the Second Automobile Works in Wuhan in central China to set up the plant to produce the Citroën ZX small family car.

Mr Calvet said the plant would have capacity to produce nearly 40,000 cars a year in the first phase, but the expected agreement calls for this to be raised in three more stages to an eventual capacity of 150,000 cars a year.

Mr Xavier Karcher, head of the Citroën division, said the joint venture would also set up engine and gearbox assembly operations at Wuhan.

Total investment for the project is estimated at some FFr5bn (£510m).

Mr Karcher said that part of the financing would come from French government grants together with French state-guaranteed loans and commercial bank loans.

In the initial stage of the project, Citroën will begin to supply later this year simple kits from Europe, including already painted bodies for final assembly in Wuhan. The eventual aim is to develop integrated car assembly facilities from panel stamping to final assembly.

To increase the level of local content, some 26 European, mainly French, automotive components suppliers are also planning to set up joint ventures in China to supply the Citroën joint venture and the existing Peugeot small volume assembly plant in Canton, Mr Karcher said.

The Citroën project is one of the most ambitious automotive ventures to be established in China.

It will be second only to the two vehicle assembly operations already under development by the Volkswagen group of Germany.

Galileo, Apollo link for huge air booking network

By Daniel Green

ONE OF THE world's biggest airline booking networks is due to be set up today by the merger of Galileo, owned by a consortium of European airlines, and Apollo, ultimately controlled by United Airlines, one of the top two US carriers.

United will be the single biggest shareholder in the new entity with a stake of about 38 per cent. British Airways is the next biggest shareholder with 14 per cent and Swissair is third.

Apollo and Galileo have had close links for several years. Several European and US airlines have direct and indirect stakes in both. Covia, the holding company for Apollo, estimates "a 90 per cent overlap in ownership" since 1988 when United Airlines sold half its 100 per cent stake to other airlines.

The merger follows pressure for booking systems to be distanced from individual airlines. It was feared tickets from one airline could be promoted through booking systems.

The new company will develop a single database for all the world's air routes.

Hungary to put up steel trade barriers next week

By Nicholas Denton in Budapest

HUNGARY has decided to put up trade barriers against steel imports from next week in the latest concession to industries and joint ventures demanding protection.

The ministry of international economic relations said that Hungary would introduce quotas on imports of 15 steel products.

The move comes after the local industry accused competitors in other east European countries, notably Czechoslovakia and the former Soviet Union, of dumping subsidised production.

Officials also promised Voest-Alpine, the Austrian state-owned steelmaker, that imports would be curtailed, when a month ago, the company bought into Hungary's largest cold-rolling mill at Dunaujvaros.

The measure is a sign of increasing protectionist pressure, particularly effective when it comes from western joint ventures.

The government sees its concessions to the protectionist lobby as tactical and denies that they go so far as to compromise Hungary's general commitment to import liberalisation.

Hungary is locked into reducing tariffs by the rules of the General Agreement on Tariffs and Trade (Gatt) and the terms of its association agreement with the European Community, the trade element of which came into effect this month.

None the less, in quick succession, Hungary has restricted imports of steel and cars, along with cement and televisions.

Hungary issued licences for only 84,000 cars to be imported in the first half of 1992, a reduction of 44 per cent on the 1991 level.

The cut was in response to claims to infant-industry status by General Motors of the US and Japan's Suzuki Motor Corporation, both of which have set up new car plants in Hungary.

The Hungarian authorities have also raised to 25 per cent the tariff on colour televisions, which Samsung, the South Korean electronics company, produces locally.

The overall trend, however, is still towards liberalisation.

Of imports, 92 per cent in 1991 needed no licences, up from 70 per cent the year before.

Meanwhile the average tariff rate fell from 16 to 13 per cent.

'King George's' victory spoilt

Bush ponders how to crush rival's challenge, writes George Graham

AFTER another Pyrrhic victory in the latest primaries, President George Bush's campaign managers are wondering what they can do to crush the right-wing challenge to his re-election prospects and stop the damage it is inflicting on him.

Once again Mr Bush won every state primary and caucus he contested on Tuesday, beating Mr Pat Buchanan, the conservative television commentator, by margins ranging from 28 to 40 percentage points. But once again he proved unable to defeat his ebullient and acerbic critic soundly enough to stem the impression that he, and not Mr Buchanan, was the real loser.

In Georgia, where Mr Buchanan had concentrated his campaign, the right-wing challenger got 36 per cent of the vote to Mr Bush's 64 per cent, almost matching his 37 per cent tally a fortnight ago in New Hampshire that launched his rebellion against the president and the Republican party leadership.

But in Maryland and Colorado, where he hardly campaigned, he still won 30 per cent of the votes. Exit polls showed that 40 per cent of Mr Buchanan's voters would vote for a Democratic candidate against Mr Bush in the November 3 presidential election.

Mr Buchanan's insurgency has so far inflicted only flesh wounds on the president. Mr Bush is still well on course to win the Republican primaries or caucuses in every single state, so assuring himself of his party's nomination by an overwhelming margin.

To suppose Mr Bush would be shamed by the consistent 30 per cent vote against him into pulling out of the race is almost certainly to underestimate his tenacity in clinging to office.

Mr Buchanan acknowledges that he needs a real win, somewhere, to sustain his campaign. "We've got to start moving those levels of support up. But I think one breakthrough and that big hollow army of King George, as we call it, could crumble and virtually disappear," he said yesterday.

But the repeated embarrassment will not only open up Mr Bush's flank to the eventual Democratic candidate in November but also strain the unhappy coalition of social conservatives, ideological free marketeers and mainstream moderates who make up the Republican party.

Mr Bush's leadership of this coalition has been called into question by his apparent lack of commitment to any of the ideals that inspire the Republican rank and file. The lack of commitment that rankles most is his failure to live up to his 1988 campaign pledge: "Read my lips – no new taxes."

The president has for the first time admitted that breaking this pledge, in his 1990 budget agreement with the Democratic-dominated Congress, was a mistake.

Until now, he had defended the budget agreement as a necessary compromise, in which he was forced to accept higher taxes in return for tight caps on government spending.

"Frankly, the president tore himself apart by signing the tax bill in 1990. I'm glad to see that he's slowly, grudgingly beginning to accept the fact that maybe it was not a good idea," said Congressman Newt Gingrich, one of the leaders of the right wing of the Republican party.

Mr Gingrich remains committed to Mr Bush's re-election, but shows no signs of enthusiasm for the prospect. Like many Reagan Republicans, he longs for someone to carry on the revolution led by President Ronald Reagan. "While he was a great cultural visionary leader, he didn't complete the job. And then Bush, frankly, has not been able to figure out how to execute it," he complained yesterday.

Mr Bush's confession of error on the tax bill could, his advisers hope, open the way for a fresh start, enabling him once again to position himself against a Democratic challenger as the best defence against more tax increases. In the process, it could win back the right-wingers who are now deserting him.

But neither the administration nor the Bush campaign organisation give the impression of a team rejuvenated; instead, there is a palpable air of fatigue that Mr Buchanan's sustained sniping can only aggravate.

A jubilant Patrick Buchanan waves to supporters after his strong showing against President Bush in Georgia

'Insurgent' Brown confounds pundits

By Michael Prowse in Washington

A CANDIDATE who restricts campaign contributions to $100 or less would seem likely to wilt in the intense heat of a US presidential race.

So far, however, former Governor Jerry Brown of California is confounding the pundits. He won his first primary victory in Colorado on Tuesday, having come a close second to former Senator Paul Tsongas in Maine.

Mr Brown is running what he calls an "insurgency campaign". He will not accept big cheques because he wants to "give government back to the people". He says the US is incapable of solving its domestic problems, not for lack of ideas but because special interest groups and an elite political ruling class block reform.

To prove his credentials as an opponent of the system, Mr Brown strikes a casual pose while campaigning. Polo-necked sweaters replace the white shirts and ties of the other candidates. He also sports a red ribbon – a sign of solidarity with Aids victims.

Part of his appeal lies in his strong environmental record while governor of California in the 1970s. He was one of the first political leaders to impose environmental restraints on US companies. The green movement is powerful in both Maine and Colorado, where Mr Brown scored heavily among Democrats rating the environment an important issue.

On taxation, Mr Brown leans towards conservative "supply-side" policies, favouring a 13 per cent flat rate income tax with virtually no exemptions. Yet on health care he supports a Canadian-style universal plan that wins support mainly among left-wing Democrats.

By gaining 30 per cent of the vote in Colorado, Mr Brown has staved off the withdrawal of federal matching funds.

Initially written off as a crank, he is now running a clear third behind Mr Tsongas and Governor Bill Clinton.

Few analysts believe he can improve on this position, unless he makes more of his record as a former chief executive of America's richest and most populous state. His insurgency campaign, however, will plough ahead, tapping voter discontent with cash-driven conventional politics.

Democrats unable to make up their minds

By Nancy Dunne in Washington

TUESDAY'S split decision rendered by voters in four Democratic primaries reflects grassroots confusion, apathy and downright disgust towards the US political establishment at all levels.

The winners – Mr Paul Tsongas in Maryland and Utah, Governor Bill Clinton in Georgia and Mr Jerry Brown in Colorado – were those best able to capture the prevailing sentiment in their races.

Mr Tsongas, the dour former senator from Massachusetts, strikes a chord among the more highly educated voters which enabled him to capture 40 per cent of the vote in Maryland to 34 per cent for Mr Clinton, with the others far behind.

Mr Clinton scored a big victory in Georgia, indicating that he is likely to hold on to his southern base in next week's Super Tuesday primaries. He is attracting both white working class and black votes with a proposal for "a new covenant" to embrace all levels of society and heal racial divisions.

The Clinton campaign claims that his strong second finish in Colorado and Maryland means he can put charges of womanising and draft dodging behind him. "He is still the Comeback Kid," said one campaign adviser in Washington.

Junior Tuesday' primary results

Percentage of votes	GEORGIA	MARYLAND	COLORADO	DELEGATE TOTALS SO FAR*
Democrats				(out of total of 4,287)
Jerry Brown	8%	8%	29%	35
Bill Clinton	57%	34%	27%	198
Tom Harkin	2%	6%	2%	79
Bob Kerrey	5%	5%	12%	22
Paul Tsongas	24%	40%	26%	110
Republicans				(out of total of 2,209)
Pat Buchanan	36%	30%	30%	20
George Bush	64%	70%	67%	148

*Delegate totals are preliminary. They do not include results of all of Tuesday's caucuses, but do include, for the Democrats, those "super-delegates" (party committee members and elected officials) who have already committed themselves to a candidate.

Mr Brown, the former governor of California, fed into the worry about the environment and a contempt for corruption of the political process to win in Colorado. It was a narrow victory – 29 per cent compared to 27 per cent for Governor Clinton and 26 per cent for Mr Tsongas. He may no longer be considered a joke, but he is still a long way from being considered a serious contender.

The prime victims of the anti-Washington mood were the two senators – Bob Kerrey of Nebraska and Tom Harkin of Iowa. After scoring only 12 per cent in Colorado and worse everywhere else, Mr Kerrey yesterday cancelled campaign appearances in Florida and flew back to Washington to "reassess" his campaign. He could be out before next week.

Mr Harkin, who seems to have eked out a victory in the Minnesota caucus, may hang in on the strength of his labour support.

Mr Clinton's supporters are hoping Mr Harkin will quit before the race moves on to Illinois and Michigan on March 17. There local economic woes are worse, and the governor stands to gain among the blue collar, urban and minority voters.

Mr Tsongas will pick up a good share of votes next week in primaries in Massachusetts and Rhode Island and among the northern-born pensioners who have retired to live in Florida.

His health could become a more prominent issue because his doctors cannot say he is completely cured of cancer. However he is doing his utmost to contradict impressions that he lacks the energy needed for months of campaigning ahead.

Mr Tsongas will face a re-energised Mr Clinton, probably fresh from huge wins in the South, renewing his attack on the former senator for advocating "a refined version of 1980 style trickle-down economics."

Mr Clinton will have to defend his record as governor of one of the poorest states in the country.

His environmental record in particular will come under attack. He will also have to contend with the ever-present fear of more damaging disclosures about his past.

Argentine prices show rise of 2.2%

By John Barham
In Buenos Aires

ARGENTINE retail prices rose 2.2 per cent in February, it was announced yesterday, fuelling concerns about the government's economic policy which heavily depends on fixing the Argentine currency against the US dollar.

However, Mr Domingo Cavallo, Argentina's economy minister, said the exchange rate policy was sustainable and promised "a hand-to-hand battle with inflation".

He also announced that the International Monetary Fund has agreed in principle to a new $3.61bn loan package. The deal – which includes elements of a current $1.04bn standby loan and a new three-year extended fund facility loan – should be approved at an IMF board meeting later this month. Approval would help Argentina win a deal to reduce its $31bn debt to commercial banks by mid-year.

Although small compared with a 27 per cent increase in February 1991, last month's rise showed that retail price inflation is proving remarkably resistant to Mr Cavallo's orthodox economic policies.

Retail prices rose 3 per cent in January and are expected to increase a further 2-3 per cent in March, bringing first quarter inflation to 7.5-8.5 per cent. Inflation is fuelled by seasonal factors and a heavy increase in consumer demand. The cartelised service and retail sectors are also accused of widening margins: retail prices have risen 42 per cent over the past year while wholesale prices rose by just 5 per cent.

Prices will continue rising this month because the government raised value added tax by two percentage points to 18 per cent on March 1.

Although low by Argentine standards, inflation must fall towards US levels because of the pegging of the peso to the US dollar. Retail price inflation has risen by 28 per cent in the 11 months since Mr Cavallo made the peso convertible.

One danger is that this will damage the competitiveness of Argentine exporters.

Some economists also see a danger that high retail price inflation will bring demands for a return to price and wage indexation.

US 'needs visionary policy' to hone competitive edge

A new federal advisory council, reports Michael Prowse, is calling for a radical and national reappraisal for industry

MIGHT THE next US president, Republican or Democrat, be tempted to experiment with some form of "industrial policy"?

If the first report* from the bipartisan Competitiveness Policy Council is any guide, future administrations will certainly face increased pressure to develop explicit policies for different industrial sectors.

As part of a comprehensive "competitiveness strategy," involving a shift from budget deficit to surplus, the council argues that the federal government should set out "visions" of "industry paths that would be compatible with a prosperous and competitive American economy".

The council bemoans the fact that the country's two top economic officials (Treasury Secretary and the Federal Reserve chairman) focus mainly on financial matters, saying that the US needs to expand the role of the Department of Commerce or International Trade Commission.

In addition to assessing US business strength, an expanded agency could monitor the activities of foreign governments and companies to provide "early warning of competitiveness problems". The US intelligence community, having lost its Cold War responsibilities, could also be mobilised to gather such information.

The council, a federal advisory committee, is chaired by Mr Fred Bergsten, the director of the Institute for International Economics, a Washington think-tank.

It was formed last year under the aegis of the Omnibus Trade and Competitiveness Act of 1988; 12 members appointed by the administration and both houses of Congress are drawn equally from business, labour, government and the public.

It should not be confused with either the residential Council on Competitiveness, headed by Vice-President Dan Quayle and concerned mainly to reduce the federal regulatory burden, or with the private-sector Council on Competitiveness, a pressure group set up in 1987.

Mr Bergsten, a former economic official in the Carter administration, is well aware that sector-specific industrial policies are likely to be the most controversial aspect of the group's competitiveness strategy.

"I am not trying to imitate Japan Inc," he said, but rather "to improve the federal government's analytical capabilities so that it can respond intelligently to proposals for assistance from specific industries."

But, why should government develop sector-specific expertise, when the US has relied successfully on the free-market for decades?

The council regards this as a misreading of history and says that the US has "carried out strategies towards certain sectors of the economy and key industries from the birth of the republic under different rubrics – including agricultural policy, defence policy and aerospace policy."

In spite of some failures, the results "have sometimes been spectacularly successful: the world's most efficient farms and commercial aircraft, a robust computer industry and many more. There need be no embarrassment over conscious endorsement of a such a policy..."

Both Republican and Democrat administrations, the council points out, have frequently employed import quotas, tax incentives, government procurement and numerous other devices to support individual sectors and even individual companies such as Chrysler and Lockheed. The trouble, it says, is that such support is typically "episodic and ad hoc."

The report argues that the country's eroding competitiveness reflects three main problems:

- A proclivity to think and act short-term while competitors, especially Japan and Germany, adopt longer-time horizons. It says short-termism is endemic in all the three main sectors of households, companies and government.
- Perverse incentives throughout US society. Examples include tax laws that penalise saving, a political process that rewards spending and tax-cutting, and an education system that offers few rewards for hard work.
- A failure to think globally. The council says that business and government policymakers remain insular in spite of the doubling of trade relative to gross national product (GNP) that has left the US as reliant on external markets as either Japan or the European Community

The council's advocacy of industrial policies forms part of a tripartite approach to competitiveness problems.

The second key element is more stable and effective macroeconomic policies designed principally to boost US savings and investment.

The council notes that the US has been living off a huge stock of capital, much of which was accumulated in the century between the Civil War and the Second World War.

Prior to 1940, the US savings rate was among the highest in the world, and considerably higher than Japan's. But, while other country's savings rates rose, that of the US remained static.

The council says that the conversion of federal budget deficits into surpluses is essential if the savings rate is to be raised, but it declines to recommend specific tax increases. It also advocates radical tax reforms to reduce consumption and boost private saving.

The third element in the council's strategy consists of fundamental structural reforms, including an overhaul of education and training, health-care provision, corporate governance and financial markets, technology policy and trade policy.

The council plans to make specific recommendations in these areas in a report timed to influence the winner of this November's presidential election.

Mr Bergsten concedes that many of the council's proposals stand a better chance of being implemented if a Democrat were elected president, but he stresses that Republicans on the council, from both private business and state government, are strong supporters of initiatives such as sector-specific industrial policies.

After three years of stagnation, the centre of economic gravity in the US seems to be shifting rapidly. Policies that seemed unthinkable in the Reagan era may yet form central planks in the policies of future administrations.

**Building a Competitive America. Competitiveness Policy Council; 11 Dupont Circle, NW; Washington DC 20036.*

Controversy at Lloyd's over role of insiders

By David Owen and Richard Lapper

THE independent committee investigating Lloyd's of London, the international insurance market, meets for the first time this morning amid mounting controversy about whether insiders had an unfair advantage in trading at at the insurance market.

Lloyd's figures show that eight of nine catastrophe reinsurance syndicates facing serious losses in 1989 contained a disproportionately low number of insiders, or working Names, who are individuals who have at some point had jobs with agencies, syndicates and brokers at Lloyd's.

Names are the individuals whose personal assets back underwriting at the insurance market.

Equally, of the six most profitable syndicates in 1988 – the last year for which final results are available – five contain significantly more than their fair share of working Names.

Trends emerging from the data are so far not as clear-cut as these isolated statistics make it appear. A number of syndicates attracting large numbers of working Names performed badly in 1988.

Syndicate 764, an average sized marine syndicate which made losses of more than 300 per cent and was one of the worst performers in the market in 1988 when it increased its reserves against future claims from asbestosis and pollution.

259 out of its 624 Names – or about 40 per cent of the total – are working members.

Lloyd's has admitted that some syndicates with a greater than average participation of external Names have incurred very substantial losses from catastrophe business.

However, it insists that across the market as a whole working Names do not benefit to the detriment of outsiders. A spokesman said yesterday: "You can prove anything with these figures."

It says that the conclusions of a recent extensive investigation into business practices at Lloyd's, which show that on average outside Names obtained better results than working Names in two of the last three years are still valid.

Many Names feel the key to unravelling the extent of insider dealing will lie in analysis of the extent and nature of the involvement of the different categories of working Names. The focus of the investigation by the committee, chaired by Sir David Walker, head of the Securities and Investments Board, is likely to shift towards these areas.

Management win battle for BTG

By Daniel Green

THE MANAGEMENT of British Technology Group, the state-owned technology transfer organisation, yesterday won the battle for control of the group after privatisation.

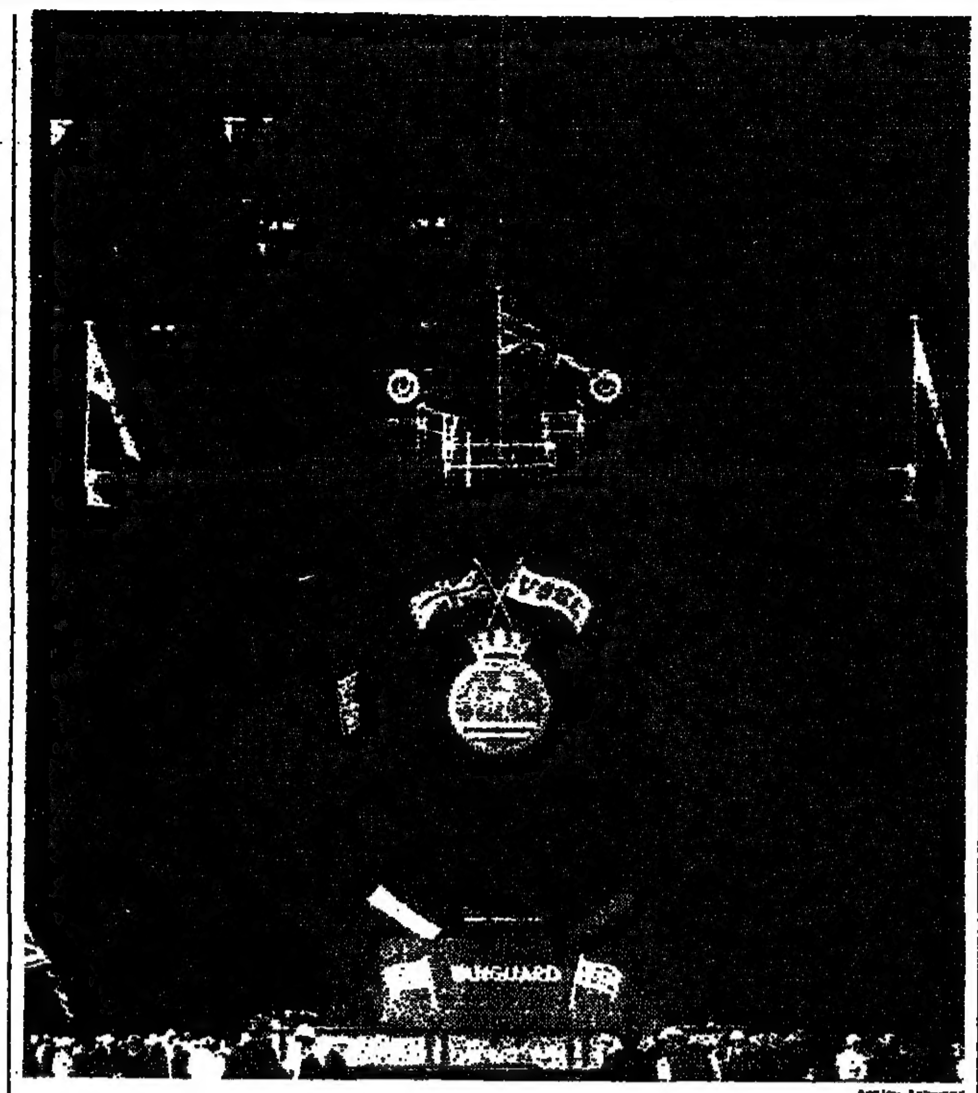
The government announced that it was "to enter a period of exclusive negotiation for BTG with a consortium led by management and employees".

It triumphed over a group led by Mr John Ashworth, director of the London School of Economics and supported by a US technology transfer company, Research Corporation Technologies (RCT).

It is understood to have bid more than £50m – at the top end of the range of expectations. The management-led team is believed to have bid £23m plus further payments depending on royalty income over the next decade. The total paid will almost certainly be substantially less than £50m.

The winning consortium includes CIN Venture Managers, part of the British Coal Pension Fund, as well as merchant banks and academic institutions from the UK and other European countries.

The announcement brings to a close a controversial battle. The sale has taken four months and was conducted on the basis of sealed bids amid criticism that BTG would have to release commercially sensitive information to its US rival. RCT said it would develop its own technology transfer business in the UK.



Ashley Ashwood

Britain's first Trident ballistic missile submarine was launched by Mr Tom King, the defence secretary, at the VSEL yard in Barrow-in-Furness, north west England. The 16,000-ton Vanguard is almost twice the size of the Polaris boats it will gradually replace from 1995, giving Britain a greatly increased nuclear fire power.

BRITAIN IN BRIEF

Tories admit Nadir gave funds to party

The Conservative party has admitted it received donations totalling £440,000 from Mr Asil Nadir, chairman of the collapsed Polly Peck group and indicated that it did not intend to return the money.

Mr Chris Patten, the Tory party chairman, would not comment on what action he might take, saying it was a hypothetical question on a matter that would be going before the courts at some point. He appeared, however, to confirm that the sum had already been spent.

Mr Patten rejected suggestions that there should be greater openness in records of donations to the Conservatives from companies or individuals. Labour MPs are renewing their pressure for greater disclosure of party accounts.

Hurd urges IMF link

Mr Douglas Hurd, Britain's foreign secretary, told the Commons it was crucial that Russia and the other republics of the former Soviet Union should make themselves eligible for additional aid "on an International Monetary Fund basis".

He stressed that there also had to be an arrangement to deal with the outstanding debts of the Soviet Union. Mr Hurd urged the Ukraine and other republics who had yet to enter into an agreement on repayment of the debts to do so as soon as possible.

BR charter announced

Many British Rail passengers suffering late or cancelled trains will be worse off under new compensation arrangements announced by BR.

The main beneficiaries of the long-awaited Passenger's Charter will be commuters on Network SouthEast, who will get discounts of up to 10 per cent on season ticket renewals if their lines fail to meet performance targets.

Most other rail users will find that compensation arrangements are either the same or less generous than those under the unpublicised and arbitrary system already in existence. Refunds will only normally be considered when trains are more than an hour late and cash refunds will be replaced by vouchers, normally worth only 20 per cent of the fare paid.

Unions vote for merger

Members of the AEU engineering union and the EETPU electricians have voted by an overwhelming majority to merge to form Britain's second largest union. About 85 per cent of voters were in favour.

The amalgamation is likely to encourage other UK unions to look for mergers. Many of them are suffering from financial problems because of a sharp decline in membership as a result of the recession.

The new 950,000-strong union will be called the Amalgamated Engineering and Electrical Union.

Warning on N-accounting

The European Commission warned the UK Atomic Energy Authority that it must rectify its uranium accounting methods at Dounreay before restarting the Caithness reactor, after several kilograms of highly enriched uranium went missing there.

Inspectors from Euratom, the EC's nuclear power directorate, discovered last December that Dounreay physically held 13.7 kgs less of enriched uranium than the stock entered on its books. Further investigations by Euratom and the UK authorities narrowed this discrepancy down to around 6-7 kgs.

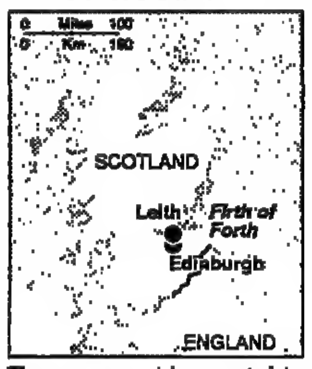
The commission said that the Dounreay managers would have to rectify the failures in their uranium accounting and measuring systems before the plant resumes operation.

Optimism in business falls

Business optimism among company bosses fell in the first two months of 1992, the Institute of Directors said.

A survey of 322 directors from all sectors of business showed that in February only 43 per cent were more optimistic about their company's prospects than they were six months ago, compared with 48 per cent in December and 56 per cent in October.

Port sale to raise £35m



The government is expected to raise £35m through the stock exchange flotation of Forth Ports Authority, the trust port operator on the Firth of Forth which is the seventh biggest in Britain in terms of the volume of cargo handled.

The share offer, the only public flotation so far in the privatisation of the trust ports, will open on March 12 and close on March 18, well in time for a possible April 9 election.

It was boosted this week by the decision of the Scottish Office to negotiate a lease on a £35m building in Leith, the port of Edinburgh, which will be developed on port land by a subsidiary of Forth Ports.

Tourism decline

The number of overseas visitors to the UK fell 7 per cent to 17m last year, according to the British Tourist Authority.

It's a deal Mrs Evans - you can burn tyres

By Paul Cheeseright, Midlands Correspondent

MRS ANNE Evans was not in a champagne mood yesterday. True, the sun was shining over Wolverhampton and she had just completed a 15-month struggle to put the financing in place for the largest non-fossil fuel electricity generating plant in the UK. It was all a bit of an anti-climax, she said.

The deal had been a close run thing. At 11:20 on Tuesday night in London she told the lawyers that either everybody signed up or she would walk away from the £49m project. Frustration had caught up. Come what may, she was catching the 11:40 train to Wolverhampton, in industrial central England.

The agreements were signed. But they were signed about a year later than Mrs Evans had expected. In October 1990, she had been planning a £36m project on the site of an old iron foundry in Wolverhampton. Now there is £13m more at stake. This extra sum was the subject of tough negotiations.

Originally, the project, which will use about 20 per cent annually of the UK's scrap tyres, was to have been financed by equity of £12m and bank borrowings of £24m. The final structure is £14.5m of equity and £34.5m of debt.

So Mrs Evans had to persuade her backers to put up more money and persuade the banks to lend more than they had committed in autumn 1990.

Costs escalated after the original contractor proved too small and inexperienced to construct a waste-to-energy plant. Eventually a consortium of Tarmac of Wolverhampton and Black & Veatch Engineering of Kansas City agreed to take over the construction – Tarmac knowing about buildings, Black & Veatch knowing about plant mechanics.

The plant is now set at 25 Megawatts, to be sold as power for about 25,000 homes.

The environmental costs in an area notorious for industrial contamination also went up. Applications for a £2m land reclamation grant were accepted by the Department of Environment but were rejected by the Treasury.

As costs rose so did Mrs Evans's demands on her partner, NIPSCO Development, a subsidiary of the Indiana electricity utility. NIPSCO had first agreed to put up £4m. The amount grew until at the end of last week, NIPSCO threatened to pull out.

The more NIPSCO put up as equity, the more Mrs Evans' equity was diluted. She now has five per cent of the equity, NIPSCO 95 per cent.

The banks were cautious. Barclays was the leading player, supported by Fuji. In the background was concern about the rapidly changing pattern of environmental regulation, not to speak of more stringent lending policies.

Mrs Evans said she has received a 13 years non-recourse project finance loan at a margin over the base rate, but only after the contractors had been tightly screwed down. They have a £38m fixed price contract, with built-in performance guarantees and penalties for late completion. Work started yesterday.

Watchdog seeks report on regulation of Maxwell group

By Norma Cohen, Investments Correspondent

THE Securities and Investments Board (SIB), the City's chief watchdog, has asked the Investment Management Regulatory Organisation (Imro), the self regulatory body for fund managers, for a report explaining how it regulated the investment companies owned by Mr Robert Maxwell.

The move comes as a cross-party parliamentary committee prepares to release its report on hearings into the Maxwell company pension schemes in which Imro will bear the brunt of fierce criticism for its regulatory failure.

In particular, the SIB wants to know why Imro approved Bishopsgate Investment Management (BIM) as an Occupational Pension Scheme member under section 191 of its rule book – a section which subjected it to a much looser regulatory regime than other fund managers. Of Imro's roughly 1200 members, 170 are in this category.

Imro had initially intended section 191 to apply only to those trustees who managed investment business on a day to day basis. Eventually, the category was extended to cover fund management companies owned by the employer or "any company whose relationship to the scheme was such that Imro felt this chapter should apply."

Of the nine directors of BIM, only four were pension fund trustees and BIM was not owned by the companies whose pension schemes it managed. Thus, the SIB has asked how Imro came to view BIM as a suitable candidate for less stringent rules, particularly in light of its initial unease about approving the company in the first place.

Mr John Morgan, chief executive of Imro, said the self-regulatory body is reviewing their application of section 191 to pension fund managers.

Meanwhile, Mr Morgan called for a new pensions act to clarify duties of trustees and their relationship to investment business.

Tractor makers told to stop sharing data

By David Buchan and Michael Cassell

THE EUROPEAN Commission yesterday ordered several leading tractor makers to stop sharing sensitive information on sales in the UK, alleging that this collusion had helped them solidify a share of nearly 90 per cent of the UK market.

Four big tractor companies - Ford New Holland, John Deere, Massey Fergusson, Case International - and four with smaller operations in the UK - Fiat Agri, Renault, Lamborghini and Deutz of Germany - have been sharing business information since 1975 through a computer network.

Some manufacturers last night acknowledged that information on the registration of vehicles was being exchanged through a third party but denied that the information swap involved pricing details.

The Commission has ordered manufacturers to scrap the system or scale it down so that it does not interfere with free competition. It has not imposed a fine - as it has the power to do on restrictive practices - because Brussels judged the information-sharing did not amount to a fully-fledged cartel.

The Commission move followed a long inquiry, and takes account of the fact that the UK tractor market is declining, relatively small, and highly concentrated.

Government tries to calm nerves over election

By Alison Smith

CONSERVATIVE officials yesterday tried to calm party nerves by pre-empting an unfavourable opinion poll, while elsewhere at Westminster senior ministers played down rumours that there would be an early general election.

Senior party figures suggested an NOP opinion poll said to show a five per cent Labour lead in 50 marginal seats is unreliable. The poll, due to be published tomorrow, is understood to put Labour's share of the vote on 43 per cent with the Tories on 38 per cent, and the Liberal Democrats on 18 per cent.

Government ministers, meanwhile, sought to calm speculation that an election date would be announced today by confirming that a statement on next week's parliamentary business prepared by Mr John MacGregor, the leader of the Commons, would go ahead as planned. Such a statement would not go ahead if an election was imminent.

One source of the rumours could have been Mr Major's visit to Buckingham Palace last night. Traditionally, the prime minister has to ask the Queen to dissolve parliament before an election.

Downing Street pointed out, however, that yesterday evening's visit was a long-standing engagement to attend the Queen's Awards for Industry.

Although the Conservatives are concerned at suggestions they could lose many marginal seats – constituencies where no party has a secure majority – party managers said today's NOP poll did not take account of the "incumbency" factor which would favour sitting Tory MPs.

NOP would not comment on the findings but said the interviews, with 20 people in each seat, were carried out last Wednesday. The survey was commissioned by the Local Government Chronicle and the television programme Public Eye.

At Westminster, the Tories focused their campaign on the economic effects of a Labour election victory. Mr Chris Patten, the Tory party chairman, said City financial institutions expected higher public sector borrowing and inflation and lower growth under Labour.

The party intends to drive the message home in a television broadcast tonight, using the campaign slogan that Labour would mean the double blow of "more taxes and higher prices".

For its part, Labour said the Tories had ignored recent estimates by the Henley centre for forecasting which predicted better growth and lower inflation at the end of a first-term Labour government compared with a further Conservative term.

● The Tories' campaigning effort was stepped up with the distribution of personal letters from Mr Major to voters in marginals seats.

The appeal emphasises the challenges that the prime minister has faced since taking office, and says "most experts now agree that we have put Britain on course for steady and sustained growth in the years ahead".

Thatcherism fails to forgive John Major's mortal sins

Philip Stephens looks at the curious attitude of the Tory right to next week's predicted tax cuts in the UK Budget

THERE are two quite separate political debates about the case for fiscal prudence or otherwise in next week's annual UK Budget.

The first is the obvious one which will continue to dominate the election battle between the ruling Conservatives and the opposition Labour party.

It has brought the sharpest slogan of the pre-election campaign so far in Mr Neil Kinnock's phrase that the choice is between "borrowing to build or borrowing to bribe". Mr John Major undoubtedly will have his own carefully-crafted soundbite to rebut the charge once the Budget has been announced.

But a more fascinating – and equally vociferous – argument has started on the right of the Conservative party. It looks likely to run well beyond the election – win or lose.

The true guardians of the Thatcherite torch are as concerned as the Labour Party at the prospect that the government will cut a penny or two off the basic rate of income tax while public borrowing is rising so sharply.

It is a stance that has raised eyebrows among those brought up to believe that Mrs Margaret Thatcher was more determined than most to give voters the chance to spend more of their own money.

More seriously, it has infuriated nervous ministers who see an old-fashioned bribe as the best and perhaps only chance of winning an April 9 election.

The first signs of a row surfaced in some unguarded remarks by Mr Cecil Parkinson. A former cabinet minister, he is now the chairman of Conservative Way Forward, a pressure group set up to defend the free-market wisdom of the 1980s.

Mr Parkinson argued that the government's slightly frayed reputation for economic prudence was far more important to the voters than a pre-election cut in income tax. With borrowing at well above £20bn Mr Norman Lamont should err on the side of caution.

His comments provided the cue for a stream of less temperate attacks on Mr Major from Thatcherite acolytes, most notably Professor Patrick Minford of Liverpool University and Professor Alan Walters, her former economic adviser.

What has given such voices resonance at Westminster is the perception that they articulate Mrs Thatcher's own thoughts – offered privately at gatherings of her supporters in No Turning Back.

The former prime minister has said she intends to keep her counsel during the campaign – she does not want to become the scapegoat for a Labour victory. Privately, she has scarcely disguised her horror at the prospective borrowing requirement.

Her starting point is that governments cannot borrow their way out of recessions. She looks back to the 1981 Budget – when Sir Geoffrey Howe raised taxes at the same point in the economic cycle in successful defiance of 364 Keynsian economists – as proof positive.

From there the argument becomes more complicated. Dr Madsen Pirie, the director of the free-market Adam Smith Institute, is among a number of erstwhile true believers who have broken ranks to press the case for tax cuts. Ironically, Conservative Way Forward has itself published a pamphlet in which two election candidates reach the same conclusion.

The result is confusion. At least one member of NTB (whose own view is that the political imperative of tax cuts long ago rendered academic the theoretical arguments) has taken to describing his soulmates as "all over the place".

The apparent contradictions can be reconciled. Mrs Thatcher and her allies have not suddenly decided that taxes are a good thing. Quite the reverse. She is a strong as ever in her defence of the individual against the state.

Instead, the debate about the Budget is a proxy for two much more fundamental rows over economic management which did not take place last year, largely because of the European issue.

One centres on Mr Major's decision to add £11bn to public spending in the autumn: the other, linked, on that familiar bête noire of the right, the exchange rate mechanism.

Times past: Premier Thatcher and Chancellor Major presenting a united front on economic policy.

For those who have kept faith with the simple slogan of "sound money", Mr Major committed two mortal sins. The first was to subordinate cuts in interest rates to the maintenance of sterling's rate in the exchange rate mechanism. The second was to seek to compensate for that by relaxing the public spending purse strings.

The successful monetarism of the 1980s, the argument runs, has been replaced by the failed Keynsianism of the 1960s and 1970s. It is a theme that Mrs Thatcher is likely to return when she takes up her seat in the House of Lords after the election.

MANAGEMENT: Marketing and Advertising

Retailing

Silent enemy poised for attack

John Thornhill looks at the threat to Europe from the arrival of US warehouse clubs

The threat posed by US "warehouse clubs" opening their vast sheds on the eastern side of the Atlantic has set the European retailing industry aquiver.

The clubs, dubbed the "silent enemy" in the US because of their devastating impact on traditional retailers, sell huge volumes of a narrow range of goods at deeply-discounted prices from low-cost, edge-of-town outlets, more than three times the size of the biggest grocery superstores in the UK.

One of the leading warehouse clubs, Costco, which is 20 per cent owned by Carrefour, the French retailer, looks set to open two stores in the UK within the next 18 months. Others are rumoured to be keen to follow.

In a study of the potential impact of the entry of these clubs into the UK, the team of retail analysts at Goldman Sachs, the US securities house, argues that they could turn "the retail scene upside-down" within the decade.

It suggests there is scope for 30 Costco-style warehouse clubs in the UK generating sales of £2bn within five to 10 years. This would make the company one of the dozen biggest retailers in Britain with a knock-on influence across the entire retail sector.

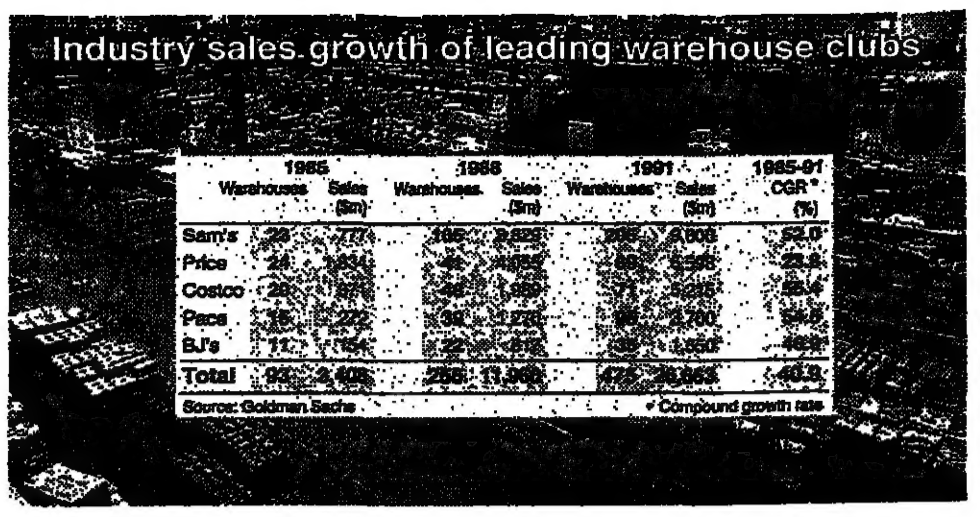
"The warehouse clubs are hugely-efficient channels of distribution which just strip cost out of every link in the supply chain," says Paul Deacon, retailing analyst at Goldman Sachs, reminiscing fondly about the bargain price he paid for a canoe at one of the clubs.

He suggests the clubs are able to minimise their costs by running rudimentary stores in cheap locations, maintaining tight levels of stock, keeping the wage bill low, having a cash-only payment policy, and limiting marketing and advertising expenditure. They run on gross margins of around 10 per cent, compared with the 25 per cent enjoyed by traditional supermarkets in the US.

The clubs have a very high stock-turn (18.8 times a year at the industry-leading Price Club) and dispense entirely with costly central distribution networks. Such is the speed with which stock is pushed through the distribution channel that in many cases the retailer has sold the goods before paying for them.

The goods for sale are carefully selected: they are almost all high-quality, top-of-the-range branded goods – about 60 per cent are non-food lines with 40 per cent food.

Price Club sells 2,800 different lines, of which 2,000 are constant and the rest vary according to the season and what deals the company is able to negotiate. This "treasure hunt" element gives the clubs considerable customer appeal.



Industry sales growth of leading warehouse clubs

	1985 Warehouses	1985 Sales ($m)	1988 Warehouses	1988 Sales ($m)	1991 Warehouses	1991 Sales ($m)	1985-91 CGR* (%)
Sam's	23	777	105	2,825	205	4,808	52.0
Price	24	1,034	41	[illegible]	69	[illegible]	[illegible]
Costco	20	[illegible]	46	1,959	71	5,225	[illegible]
Pace	15	272	39	1,270	95	2,700	[illegible]
BJ's	11	154	22	[illegible]	35	1,550	[illegible]
Total	93	2,405	255	11,966	475	26,863	40.3

Source: Goldman Sachs

* Compound growth rate

The clubs' customers pay an annual membership fee of about $25. Typically, two-thirds of members are business customers, such as small retailers and caterers, who use the clubs as a wholesale outlet; the remainder are everyday shoppers drawn in by the cheap prices.

The value of the average transaction is very high at $160. The warehouse clubs have experienced explosive growth in the US over the past decade. The industry is dominated by five big and very successful players which account for £25.7bn of sales.

Whether any of them can now transfer their trading formula to Europe, however, remains a matter of doubt.

One of the crucial constraints may be the differing cost structures on each side of the Atlantic.

In the US, site and building costs are relatively cheap; the higher cost structure of the European retailing industry may well wreck the economics of the pure warehouse club format.

In the UK it may boil down to a matter of classification. Goldman Sachs estimates that if a club were to buy a 12-acre site with permission to open a retailing operation, it might cost £24m. A site on an old industrial estate open only to wholesalers might be just £3m.

Such differences may lead to a hybrid form of warehouse club being introduced. The clubs may limit themselves to the wholesale market before later spreading into a retailing formula. Or they may restrict themselves to non-food lines and then later broaden into foods.

But the UK wholesaling industry is dismissive of the potential threat and argues that local operators already fully satisfy the market.

David Poole, managing director of Nurdin & Peacock, the cash-and-carry operator which has an annual turnover of more than £1.3bn, says: "Costco could not operate more efficiently than we do."

Alan Toft, director general of the Federation of Wholesale Distributors, which represents wholesalers in the food and drink industry, even goes so far as to say that "there is no way that this form of discount warehouse can have any impact on wholesaling companies in the UK".

He argues that small retailers who traditionally patronise cash-and-carry outlets would not shop at clubs if they saw them as a competitive threat. "Retailers over here would not be seen dead in a warehouse that serves both retailers and consumers. The people who should worry about it are Tesco and Sainsbury," he says.

That suggestion comes back to the question of whether warehouse clubs could generate an attractive return on the higher capital investment needed to run a full retail outlet.

Jane Carmichael, partner at OC&C, the management consultants, suggests it is only the relative costs that matter. "All that is relevant is the differential cost between a Costco and a Sainsbury or a Woolworth," she says.

A host of cultural differences may also detract from the clubs' appeal: UK consumers have largely become accustomed to shopping in posh supermarkets offering up to 30,000 lines.

Customers simply may not fancy shopping in shabby warehouses, nor buying big, inconvenient multi-packs of 12 tubes of toothpaste or crates of petfood.

Such differences in cost, market structures and consumer preferences may well make the warehouse club formula untenable in Europe.

But given the extraordinary popularity of this style of trading in the US, it would be unwise for European retailers to discount the threat entirely – nor underestimate their customers' hunger for bargains.

Space may prove the final frontier

Gary Mead investigates intense struggles within the media buying business

This is meant to be the year of EC harmonisation. It is also turning out to be the year when one of the most important, yet overlooked, aspects of marketing and advertising – the media space-buying business – may witness some intense struggles among the biggest European players.

Reports that the French company Publicis, and its partner in Europe, Foote Cone and Belding, may link with The Media Partnership (TMP) have been around for many months. TMP negotiates media-buying for a number of traditional advertising agencies which offer a full range of services, winning discounts from media owners by bulk-buying large volumes of advertising.

The rumours took flight in February, when there were suggestions that Publicis-FCB Europe had signed a letter of intent to join TMP. Publicis executives this week strongly denied that but acknowledged that negotiations were "continuing" with TMP.

At the same time Publicis is also considering expanding its media-buying links with Interpublic, the US group; Publicis and Interpublic use Publi-Media Service (PMS) in France as their media-buying agency.

The background to this flurry is the growing belief among the larger full-service agencies that greater, European-wide fragmentation of the forms and outlets of media, in conjunction with increased concentration of media ownership, requires an equal concentration of media-buying in order to ensure the best prices.

Media owners might be controlling bigger empires; but audiences and readerships are becoming more specialised. There has been an explosion of European media outlets in the last 20 years. In 1980 there were no satellite television channels; in 1990 there were 82. The number of radio stations has more than doubled (to 5,820); consumer magazine titles have increased from 5,400 to 8,240; terrestrial television channels have grown from 15 to 38.

That development offers opportunities for media space-buyers to haggle over volume prices. As the number of media outlets seeking advertising revenue has soared, and the general recession has forced collapses in advertising spending, the jam is being spread more thinly.

Hence the current interest in forming "media-buying clubs" such as TMP and PMS, which exist solely to negotiate discounts on volume advertising expenditure. Media buying is a complex business. But in terms of its impact on advertising spending budgets, it vital particularly in a recession.

On average, advertisers spend 15 per cent of their advertising budget on creative work and 85 per cent on the space for their commercials, be they placed in newspapers, television or radio. Advertisers have already managed to squeeze down the traditional 15 per cent commission on advertising budgets they pay for creative work; attacks on the space-buying front are now the order of the day. That is especially true in France, where Carat (part of Aegis), PMS, TMP and Eurocom together account for almost 80 per cent of all media-buying activities.

TMP is but one "buying club" among several; their sole rationale is to negotiate better deals for full-service advertising agencies on the basis of volume. In France today, discounts on the standard advertising rate card of up to 50 per cent can be wrung from some of the weaker media, such as radio.

There is a growing belief among media-buying agencies that the French model will spread to the rest of Europe sooner or later. This is not welcomed by either media owners or media space-buyers, who fear that a valuable product – advertising space – is rapidly being turned into a commodity where price will be the only determining factor. Some advertisers, however, may welcome such a move; it will force down the cost of advertising, albeit at the risk of lessening their control as to where and when their commercials run.

It is easy to see which way the wind is blowing; specialist space-buyers and "buying clubs" accounted for just 11 per cent of all advertising buying in Europe in 1980; by 1990 that had jumped to 47 per cent. The losers were the conventional "full-service" advertising agencies.

Of specialist space-buyers, Carat is dominant in Europe, with 1991 billings of $5.2bn. Optimedia, the media-buying wing of Publicis, came 7th with billings of some $1.2bn; TMP was fourth with some $1.4bn; PMS registered some $1.3bn. Were Publicis (through PMS and Optimedia) to join TMP, the new group could leap-frog into second place, still significantly behind Carat but displacing another powerful media-buying company, Zenith (part of the Saatchi group). The big guns are being rolled into position; but howitzers are cumbersome and heavy – it may be a considerable time before Publicis makes up its mind who will be its best partner, if at all.

A fair deal on the cards

"IF IT was going for a song but it won't play a note, where do you stand?" ask the posters, depicting a sale-tagged radio, which appeared this week in north-east England.

In its latest campaign to make the consumer rights message less worthy and more accessible, the Office of Fair Trading is currently running an experimental Square Deal Week in Tyne and Wear.

All the county's 600,000 households are receiving through their doors a credit card-sized Consumer Rights card. You are entitled to your money back, it says, when:

- There is a major fault – even on sale goods.
- The goods don't do what they are supposed to do.
- The goods don't fit their description.

But you are not if:

- You've changed your mind.
- Clothes don't fit (as long as the correct size is shown).
- The goods have been mistreated.
- You were able to see the faults before purchase.
- You have already accepted a credit note.

The OFT is spending £250,000 – more than fifth of its total annual publicity budget – on the promotion. It will be monitoring the impact of the campaign, its most intensive ever, to see whether it should be launched elsewhere.

Square Deal Week is the latest example of the OFT's move over the past three years towards a more populist approach to consumer rights.

Tyne and Wear was chosen for the experiment because of its relatively high proportion of socio-economic groups C2, D and E, its strong local media and high concentration of shopping meccas, including Newcastle's city centre Eldon Square and Gateshead's out of town MetroCentre, the largest of their types in Europe.

Chris Tighe

ACCOUNTANCY APPOINTMENTS

CINEMA

Psychodrama turned into a deep, dark joke

CAPE FEAR
Martin Scorsese

ONCE UPON A CRIME
Eugene Levy

MEN OF RESPECT
William Reilly

JOHN CASSAVETES SEASON

Do we need the sight of a great modern film-maker jumping out at us from behind a camera and saying "Boo!"? This in essence is the experience provided by Martin Scorsese's *Cape Fear*. There are more gratuitous *coups de cinema* per minute than there are quills per inch upon a fretful porcupine.

Remaking the 1962 hoodlum-at-large thriller that starred Gregory Peck and Robert Mitchum, Scorsese provides a lexicon of visual ingenuities. Jump cuts, painted skies, zoom-in track-outs, rearing crane shots (even in intimate conversation scenes), colour mutating to monochrome... Yet that is all the film sometimes seems like: a lexicon. One is reminded of Bruce Willis's breathless aside in *The Last Boy Scout* when he and his chum are attacked by a loquaciously abusive baddie: "Feels like we're being beaten up by the inventor of Scrabble."

Scorsese's game is Movie Scrabble. You win a double-quote-score for wryly invoking the original *Cape Fear*, as when an ageing Peck and Mitchum stroll into cameo roles as sleazy lawyer and Southern sheriff respectively. And you win a triple-quote-score if, like Robert De Niro as the vengeful ex-convict who pursues and psychologically torments the defence lawyer who failed him (Nick Nolte) plus his wife (Jessica Lange) and nubile daughter (Juliette Lewis), you can pay tribute to as many roles and actors as possible.

De Niro's Max Cady is one part Mitchum – more *The Night Of The Hunter* than *Cape Fear* – to several large parts of Lionel Barrymore and G.D. Spradlin. With his Hawaiian shirt, airport sun-glasses and loony ebullience, he also suggests Fred Flintstone on a works outing to Florida. (The nominal setting is North Carolina but the film was shot, and looks like it, around Fort Lauderdale). The movie is fun, but is it art? Like any good game of Scrabble it is at least for a while diverting. From the first image in the titles sequence – the camera rising from primeval waters to cue jagged letters against a riverswept background – Scorsese is determined to go Gothic.

Hammer-horror cloudscapes lower over Nolte and Lange's handsome mansion; deep-focus effects pay homage to *Citizen Kane*; and fairy-tale ghoulishness is invoked in the queasy scene where De Niro, luring Miss Lewis's pubescent teenager to the school basement cum makeshift theatre, plays Big Bad Wolf to her Red Riding Hood with a mock-up gingerbread cottage behind him. This duel of innuendo between a shyly ripening girl and a slippery psychopath – we have already seen him brutalise a woman and bite a chunk from her cheek – has a quietly hypnotic power.

But typically of this cleverer-than-thou thriller Miss Lewis, unlike her 1962 predecessor, is no innocent. Coming 30 years on to the same story (based on John D MacDonald's novel *The Executioners*), Scorsese and screenwriter Wesley Strick feel they must muddy the Manichean waters of good guys versus bad. But in doing so, they also muddy its dramatic clarity of purpose.

Nolte and Lange are an over-written problem couple with an over-telegraphed problem daughter. He is a he-man repressed by small-town life, his small eyes penned in behind wire-rim specs. She is a designer with a Lange-ian line in tremulous hysteria.

They are clearly in such deep domestic turmoil already

Robert De Niro in Scorsese's 'Cape Fear'

– with his infidelities and her keening reproaches – that the arrival of Mr Madman from the Slammer would seem a minor addition to their problems. Possibly even a welcome diversion. As a result the violent finale aboard a drifting, wave-swept houseboat – where De Niro keeps bobbing back to life in the best ghoul-can't-help-it tradition – has the frivolous excitement of a fairground ride rather than the visceral horror of a face-to-face with death.

With no sense of emotional hazard there is no sense of suspense. Instead of a horrified "Ah no!" in response to scenes, we keep mouthing an admiring "Ah yes!" The director who crafted *Taxi Driver*, *Raging Bull* and *GoodFellas* is here aided by a good cameraman (Freddie Francis) and a great production designer (Henry Bumstead of *Vertigo*). But all *that* results is that the tunnel-vision intensity the tale requires is ousted by decorative overkill.

This even extends to the star player. De Niro lolls across the CinemaScope screen as if determined to colonise every inch of it. He snarls and croons and teases; he savours his Southern accent like fine wine. He is a vaudeville charmer in a vaudeville thriller. His only saving grace is that, unlike everyone else in the film, he seems to *know* it is a deep dark joke and not to be taken seriously as a spinechiller-turned-psychodrama.

★

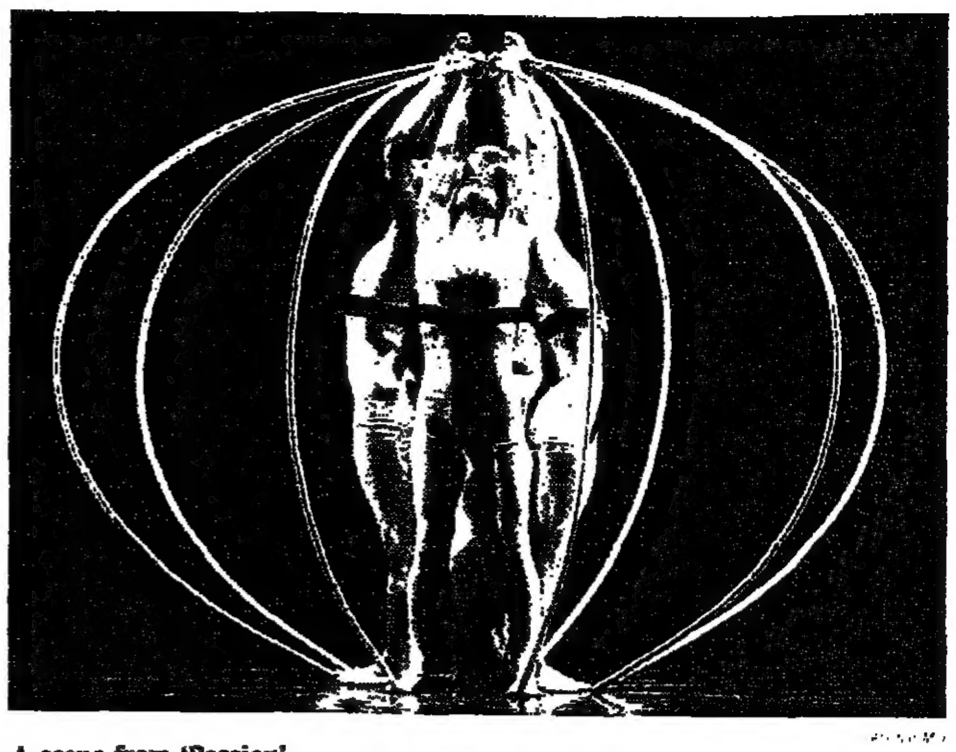
Worse, far worse, is the Euro-comedy *Once Upon A Crime*. What a title. They probably came up with it after rejecting *Sweet Sistine* and *Abandon Pope* for this Rome-set plot about a murder, a valuable dachshund and six second-magnitude stars hurtling about delivering dead dialogue. They include Cybill Shepherd, James Belushi, Sean Young, John Candy and an embarrassed-looking George Hamilton wearing boot polish as a tanned, over-age toyboy.

Did I say Rome? Well, it begins there, then moves to Monte Carlo. But by this stage the Press show audience was being examined by a doctor for signs of rigor mortis. Startlingly, or perhaps not, three writers are credited with having struggled over the script. The best dialogue exchange – "Are you finished?", "No, I'm Swedish" – will give you a measure of the rest. Eugene Levy directed.

Men Of Respect is *Macbeth* remade as a Mafia thriller. Dr Jonathan Miller is to blame for all this. Dear me, the cultural cost of that *Rigoletto*. Here we have Rod Steiger and Peter Boyle among the Cosa Nostra bigwigs, John "Barton Fink" Turturro as the modern Macbeth ("No man born of woman can do shit to me") and Katherine Borowitz as a Mafiosa Lady M given to scouring the bathroom with bleach. Meanwhile Banquo is called Banky, MacDuff Duffy and Malcolm Mal. When they do *Hamlet* it will no doubt be Hammy, Ophie and Gert. William Reilly wrote and directed.

Far better to visit the ICA's John Cassavetes season, running for one more week. The wild man of American cinema, who died last year, made films that were like the fearless, flailing revelations of a patient under truth serum. He wrote his own stories – of marital break-up and nervous breakdown, of high and low living on the Bohemian fringes – and had them improvised into life by his handpicked repertory of actor-friends. Ben Gazzara, Peter Falk, Gena Rowlands, himself: his favourite stars kept being recycled in plots that were as untidy as Columbo's mac and as challengingly, endearingly human. *Shadows*, *Faces*, *A Woman Under The Influence*, *The Killing Of A Chinese Bookie*. The best is here. Catch it while you can.

Nigel Andrews



A scene from 'Passion'

Momix

SADLER'S WELLS THEATRE

A hundred years ago the American performer Loie Fuller took Paris by storm. Her work was a phantasmagoria of lighting, fabric and music; and she, moving at the centre of the picture, seemed to keep transforming herself. She was a butterfly, an orchid, a flame: illusion upon illusion. Several people noted that, strictly speaking, she was not a dancer – but that hardly mattered. She was taken seriously, won high praise from Mallarmé and became a living icon of Art Nouveau.

The two American groups Pilobolus and Momix look nothing like her or like Art Nouveau but, *mutatis mutandis*, they are her spiritual heirs. Image succeeds image with happy fecundity. The performers create one illusion after another by means of skilled movement assisted by light, sound and sometimes props. Frequent metamorphosis is a key part of the Pilobolus/Momix experience. The movement of either troupe is a lyrical form of athleticism, and is like little else in dance, mime or theatre.

Pilobolus is the parent group, founded over 20 years ago; Momix was launched 10 years later by a founder-Pilobolan, Moses Pendleton, who is still its director. On either side of the Atlantic, both have always polarised critics who on most other subjects are in concord. Audiences, however, have seldom failed to acclaim either company warmly.

Of the two troupes, it is Pilobolus that at its best provides the purer and more transporting experience. Momix's current 70-minute show, *Passion*, is blighted by numerous tacky features and I have never watched work by either company with such conflicting feelings as on this occasion. On the one side there is delight in five superb performers and the streams of changing images that they supply. On the other is resentment at having to watch that through a gauze on which is projected further imagery, often ironic or irrelevant; and my rejection of the muzak.

Passion is a misnomer. Its imagery is by turns zoological, botanical, primitive, exotic and even religious. Much of the time we are watching those animal and/or vegetable episodes that have always been the marvel of Pilobolus/Momix theatre. A man squats like an animal and spins his head and neck round in circles like a ball-and-chain. This signal brings on another like-spirited male animal. Now they move like amphibians, now like amoeba – and suddenly from all fours they are jumping high into the air, like crickets. Funny, surprising, supple, yes.

But what is finest here and often elsewhere in *Passion* is the pervasive lyricism of the movement.

In the most impassioned scene, one near-nude man hangs in a trapeze, radiantly spreadeagled like a Renaissance diagram of human geometry. Then he starts to fold and fall, hanging now like a sinner at the Last Judgment and calling in silent pain. Two other characters, robed and hooded in scarlet (devils? cardinals?), spin brilliantly on either side as if in waiting. Clasping their hands in prayer, they look sanctimonious; and next they try to catch him; no, next he tries to catch them. A sinner and the prelates of the church? or Faust and a pair of devils? The scene has a marvellous ambiguity.

Meanwhile, however, superimposed over the episodes of *Passion* are pictures of a flower or a brain or a tree or a pearl necklace or a Renaissance lady. The eponymous muzak by Peter Gabriel (now a boys' choir, now pop baroque, now rock-Indian) encourages the impression that *Passion* is just a druggy dream-trip without coherence. What is good about Momix seems thrillingly natural. But here it has been manipulated by charlatans.

Alastair Macaulay

A Hard Heart

ALMEIDA THEATRE

Howard Barker's new play is very well acted, has the odd touch of Barker's direct use of language, but is otherwise totally, relentlessly, almost rivetingly boring – not a word I normally use of the theatre. It is tempting to say that *A Hard Heart* is about Mrs Thatcher out of office, though a programme note is even more pretentious. Here is a walled European city under siege – it could, the note suggests, be the Peloponnesian War.

A woman architect, mysteriously called Riddler, is called in to save the city and its queen. Even more mysteriously, the woman has a son called Attila – the product, she says, of a "single night of love". Attila is a bit of a mummy's boy, not at all what the name suggests, and constantly responds to his mother's desire to kiss her. Riddler, played by Anna Massey, thinks that she is a genius, even a god, and can do no wrong. However, she does not succeed in her plans to protect the city and the queen commits suicide.

"I never failed," says Riddler towards the end, which is where the analogy with Mrs Thatcher comes in, "I was ever perfect." She admits to loving the crisis and could not bear to be around during a period of peace and reconstruction.

It is far from clear by this time what has happened to Attila. Riddler seems set to go off with a man she has described a "bald idiot", who has declared his love for her with lines like "My fingers want to run amok in all your garments", and has cut off a bit of her skirt which he wears first as a cod-piece and then on his head.

You might think that, in a plot like that, there must be some redeeming sense of humour. Not a bit of it. So far as one can tell it is intended to be desperately serious – all 100 minutes of it, played without an interval.

Ms Massey is a very fine actress. I also like the way Angela Down plays the queen, and it is true that Barker has written some interesting works in the past. Yet you must wonder what can be conceivably going through the Massey/Down heads while appearing in a piece like this. Surely they cannot believe in it, though I suppose that the director, Ian McDiarmid, must do.

A Hard Heart was commissioned by BBC Radio 3 and first broadcast last month. I made the mistake of listening to a tape of the broadcast version, also starring Ms Massey – though the rest of the cast is different – before going to the theatre. Twice in one day is close to torture. The play does not improve by being on stage; if anything, it seems even more pointless and is not enhanced by the endless up and down movements of a scale map of the walled city. Anyone who disbelieves me should listen to Radio 3 on April 21 when it will be rebroadcast. It would be going too far to go to the Almeida to see it.

Malcolm Rutherford

'King Roger' in Palermo

Years ago Andrew Porter wrote of Karol Szymanowski's opera *King Roger* that "Enthusiasts will travel hundreds, thousands of miles to attend the rare performances" of the piece. Even an ordinary opera-lover, unfamiliar with the Polish composer's virtually unknown sole, full length opera, might have found it worth a trip to Palermo last month where he could have heard not only a more-than-respectable performance of the piece but also could have seen the city that largely inspired it.

Like so many Northern artists, Szymanowski loved Southern Italy, and Sicily in particular, seeing the sensual, scented island as a Dionysian antidote to his cold, stern, inhibited homeland. In choosing the Norman king Roger II as their emblematic hero, Szymanowski and his librettist Jaroslaw Iwaszkiewicz gave themselves ample occasion to surround the intimate conflict of the introspective king with Byzantine colour and pagan solarity.

This was not an Italian premiere: Szymanowski's opera was given for this first time in this country in 1949, also in Palermo, with scenery by the Sicilian painter Renato Guttuso. The opera was repeated, in concert form, a few years later in Turin; the current revival is Italy's second staging. The sets and costumes are reproduced (handsomely) from Guttuso's 1949 designs. The staging, by the distinguished Polish film director Krzysztof Zanussi, is new.

For this occasion, Zanussi wrote a spoken prologue with two characters, Szymanowski and his librettist, who discuss the opera in words largely drawn from their published correspondence. The dialogue in itself in not uninteresting, and is well spoken by the actors Nestor Garay and Claudio Lorimer, but it somehow diminishes the effect of the solemn, sombre opening scene.

His other original invention was the doubling of the Shepherd's part: acted by a mime, the affected, prancing Leszek Rosolek, and sung by the stodgy tenor Vladislav Piavko. Admittedly, this part poses almost insurmountable problems: the Shepherd must have the fascination of a god, handsome, ambiguous and spellbinding; he must also have a voice of sensuous beauty, considerable range and haunting mystery. Obviously, these qualities are just about impossible to find in a single artist. But employing two artists, neither of whom possessed even half the requirements, was an unhappy solution.

Opera-goers have long been used to portly maidens, middle-aged lovers, and buxom pageboys. If this *King Roger* had had a vocally effective Shepherd, I am sure the audience would have forgiven him a spreading waistline or thinning hair. In the event, we had an embarrassing dancer and a black-suited, plangent tenor; and the key role of a great, elusive work was inadequately (but twice) interpreted.

The baritone Igor Morozow was a suitably tormented Roger, and Nancy Shade, though the voice is light for the part, sang seductively, rhapsodically as Roxana, susceptible to the Shepherd's spell. The Arab philosopher Edrisi (a historical figure, prominent at Roger's court) was interpreted by the incisive Renzo Casellato.

The drama of Szymanowski's opera is interior and it unfolds, true, in the voices, but also in the orchestra and chorus. Writers about the composer inevitably cite Wagner and Debussy, Strauss and Mahler, suggesting that Szymanowski's textures are lush, rich, overripe. But a first hearing prompts other conclusions: the instrumentation is, indeed, complex, studied, full of carefully-wrought, unusual timbres, telling effects; but the score seems notable also for an almost transparent clarity. Distances are as important as textures.

Karl Martin, who is always able to spur the Teatro Massimo orchestra to its finest achievements, allowed the score to unfold with convincing naturalness, establishing always a persuasive blend of orchestra with chorus. The National Philharmonic Chorus of Warsaw's full, supple sound was beautifully punctuated by the angelic sweetness of the Poznan children's choir. The choreography by Ewa Wycichowska was undistinguished, but somehow obtrusive, about as Bacchic as a Miami Beach aerobics class.

William Weaver

Ann-Christine Göransson

PURCELL ROOM

This 25-year-old Swedish "soprano" won the 1991 BP Peter Pears Award, and her recital on Tuesday made it perfectly clear why. She wields her voice with entrancing ease and naturalness; it is warm, true, unaffected and communicative, an unalloyed pleasure to hear. Obviously she has a promising future, but precisely *which* remains to be discovered. This small-hall recital hinted continually at a broader scale which she was careful not to unleash.

It might well be opera – or even musical comedy: her generous personality could be hugely successful in the latter. Since she had changed her announced programme, replacing Wolf and Mahler with Schumann's "Mignon" songs after Goethe and lighter stuff by Poulenc, Walton, Grieg and Ture Rangström, we could only guess at her full dramatic range. It was noticeable that in the higher soprano register she touched her notes in at a sweet, precise *mezza voce*, whereas her ample mid-voice revelled in expansive character. To me she sounded like a distinctive mezzo-in-the-making, with the bonus of a fine upper extension.

In Mozart's aria "Al desio" (K. 577, composed as a substitute for Susanna's "Deh vieni" in *Figaro*) neither she nor her bright young accompanist Mikael Kjellgren was quite convincing: Kjellgren was inadvertently strident – victim to the Purcell Room acoustic, which wrong-foots many a new pianist – and Miss Göransson too modern-colloquial for this poised rondo. She was appealing in her Schumann set, but preferred to capture the general moods (very well) instead of lighting them up word-by-word as they deserve. Barber's wry, shapely *Hermit Songs* struck much nearer to the bone. Though Miss Göransson's English may still be a tad foreign, she palpably *thinks* in it, whereas she left Schumann's Goethe lyrics over-smooth and under-articulated.

Her Poulenc and Duparc carried richer conviction, as did her partner's contribution. For Walton's three Sitwell numbers (the latter two adapted from *Façade*) she found exactly the right teasing, playful address, even without the benefit of native diction, and in her Scandinavian songs she was buoyantly at home. By then nobody could have doubted that hers is a voice to fill much larger halls, as surely it will do: heartwarmingly candid and direct, faithfully musical. One day soon somebody will find Miss Goransson a slot where she can expand to her best, and she will make a lot more music-lovers very happy.

David Murray

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Muziektheater 19.30 Hartmut Haenchen conducts first night of Pierre Audi's new production of Mozart's Mitridate, rè di Ponto. Runs till April 1, with next performance on Mon. Tomorrow, Sat and Sun: Nederlands Dans Theater in choreographies by Forsythe and Naharin (6255 455/ credit card bookings 6211 211)
Concertgebouw 20.15 Ken-ichiro Kobayashi conducts the Netherlands Philharmonic Orchestra in music by Bizet, Poulenc, Falla and Ravel, repeated tomorrow and Mon. Sat afternoon: Heinz Holliger conducts the Netherlands Wind Ensemble. Sat evening and Sun afternoon: Hartmut Haenchen conducts the Netherlands Chamber Orchestra in music by Bach, Vivaldi and Handel (6718 345)

■ BERLIN

Schauspielhaus 20.00 Herbert Blomstedt conducts the Berlin Staatskapelle in Strauss' Metamorphosen and Beethoven's Third Symphony, repeated tomorrow. Sat afternoon, Sun and Mon evening: Claudio Abbado conducts the Berlin Philharmonic Orchestra in Tchaikovsky's Violin Concerto (soloist Maxim Vengerov) and Ravel's Daphnis et Chloé. Sat evening: Heinz Rögner conducts the Berlin Radio Orchestra in Bruckner's Eighth Symphony (East Berlin 2090 2156)
Deutsche Oper 19.30 Erich Waechter conducts Der fliegende Holländer, with Sabine Hass and Simon Estes. Tomorrow: Die Zauberflöte. Sat: Les Intermittences du Coeur, ballet by Roland Petit. Sun: Götterdämmerung with René Kollo and Anne Evans (West Berlin 3410 249)

■ BRUSSELS

Palais des Beaux Arts 20.00 Stanislaw Skrowaczewski conducts the Belgian National Orchestra in Schumann's Piano Concerto (soloist Jean-Marc Luisada) and Bruckner's Seventh Symphony (507 8200). Sun: concert performance of Rossini's La donna del lago with Katia Ricciarelli and Martine Dupuy (219 6341)

■ CLEVELAND

Severance Hall 20.00 John Eliot Gardiner conducts the Cleveland Orchestra in Tippett's Fantasia Concertante on a theme by Corelli, Beethoven's Second Piano Concerto (soloist Richard Goode), Haydn's Symphony No 49 and Schumann's Overture, Scherzo and Finale. Repeated tomorrow and Sat (231 1111)

■ CHICAGO

Orchestra Hall 20.00 Erich Leinsdorf conducts the Chicago Symphony Orchestra in Hindemith's Symphonia Serena, Frank Martin's Concerto for seven wind instruments and the Brahms/ Rubbra Variations and Fugue on a Theme by Handel. Repeated tomorrow, Sun afternoon and next Tues (435 6666)

■ COLOGNE

Philharmonie 20.00 Gerhard Oppitz plays piano music by Brahms. Tomorrow: Anne Sofie von Otter and Olaf Bär, accompanied by Geoffrey Parsons, sing Hugo Wolf's Spanisches Liederbuch. Sun: Mariss Jansons conducts the Oslo Philharmonic Orchestra in Shostakovich's Sixth Symphony and Bartók's Concerto for Orchestra (2801)
Opernhaus 20.00 Lothar Zagrosek conducts Harry Kupfer's production of From the House of the Dead, also Sat. Tomorrow and Sun afternoon: Offenbach's Barbe-bleue (221 8400)

■ FRANKFURT

Jahrhunderthalle Hoechst 20.00 Spanish National Ballet, repeated tomorrow (3601 240)
Opernhaus Georges Delnon's new production of Carmen opens on Sat. The only other performances this week are Kurt Weill's Mahagonny tomorrow and Die Zauberflöte on Sun (236061)
English Theater Kaiserstrasse 20.00 Sleuth, thriller by Anthony Shaffer. Daily except Mon till April 25 (2423 1620)

■ GENEVA

Victoria Hall 20.30 Armin Jordan conducts the Suisse Romande Orchestra and Chorus in a concert performance of Idomeneo, with Julia Varady, Keith Lewis, Angela-Maria Blasi, Hans-Peter Graf and Dolores Ziegler (292511)

■ GOTHENBURG

Konserthus 19.30 Birgitta Svenden sings Wagner's Wesendonck Lieder with the Gothenburg Symphony Orchestra, conducted by Neeme Jarvi. Tomorrow: Rudolf Firkusny plays Franck's Symphonic Variations for piano and orchestra. The orchestra tours Italy with these soloists from March 8 to 15 (167000)

■ LONDON

THEATRE

● Uncle Vanya: Ian McKellen and Antony Sher star in the National Theatre's new studio production of Chekhov's play, showing tonight, also Wed, Thurs, Fri and Sat next week. Also in Cottesloe repertory: 8th century Indian classic The Little Clay Cart and Tony Kushner's 1991 play Angels in America (071-928 2252).
● A Hard Heart: world stage premiere of Howard Barker's new play set in a European city under siege, starring Anna Massey (Almeida 071-359 4404).
● The Miser: Tom Courtenay stars in a Royal Exchange production of Molière's play. Tonight, tomorrow and Sat only (Ashcroft Theatre Croydon. British Rail to East Croydon 081-688 9291).
● Death and the Maiden: Juliet Stevenson stars in Ariel Dorfman's South American tale about the consequences of torture (Duke of York's 071-836 5122).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

MUSIC AND DANCE

Covent Garden 19.30 Altynai Asylmuratova and Irek Mukhamedov in Kenneth MacMillan's Royal Ballet production of Manon. Tomorrow and Sat: ballets by Ashton and Forsythe (071-240 1066)
Coliseum 19.30 James Holmes conducts David Pountney's production of Street Scene. Tomorrow: Xerxes. Sat: Il barbiere di Siviglia (071-836 3161)
Royal Festival Hall 19.30 Montserrat Caballé sings Rossini arias in a concert with the London Mozart Players conducted by José Collado. Tomorrow: Andrew Litton conducts Elgar's First Symphony (071-928 8800)
Queen Elizabeth Hall 19.45 Gidon Kremer and friends play Messiaen's Quartet for the end of time and Schubert's String Quartet in G. Tomorrow: Simon Rattle conducts the London Sinfonietta. Sun: Brodsky Quartet (071-928 8800)
Barbican 19.45 Oliver Knussen conducts the BBC Symphony Orchestra and Chorus in a new orchestral work by Colin Matthews, plus music by Sibelius, Scriabin and Knussen. Sat and Sun: Colin Davis conducts Verdi's Requiem (071-638 8891)

■ NEW YORK

Carnegie Hall 20.00 Song recital by Shirley Verrett, accompanied by Warren George Wilson. Tomorrow: piano recital by Mieczyslaw Horszowski. Sat: Brahms' German Requiem. Sun: Dennis Russell Davies conducts American Composers Orchestra (247 7800)
Metropolitan Opera 19.00 James Levine conducts Don Carlo, with Aprile Millo, Dolores Zajick, Vladimir Chernov and Samuel Ramey. Tomorrow: Le nozze di Figaro (sold out). Sat: Il barbiere di Siviglia (362 6000)

■ ROME

Teatro Olimpico 21.00 Uto Ughi is director and violin soloist with the Santa Cecilia Chamber Orchestra, in a programme including Paganini's Fourth Violin Concerto (323 4890)

■ STRASBOURG

A new production of Strauss' Capriccio opens tomorrow in the Théâtre Municipal, conducted by Klaus Weise with Sheri Greenawald as the Countess, Tom Krause as the Count and Siegfried Vogel as La Roche. Runs till March 21, with next performance on Sun at 15.00 (8875 4823)

■ VIENNA

Staatsoper 19.30 Il barbiere di Siviglia. Tomorrow: Le nozze di Figaro. Sat: Rusalka. Sun: Carmen with Agnes Baltsa and Neil Shicoff (51444 2960)
Musikverein 19.30 Hans Graf conducts the Salzburg Mozarteum Orchestra in music by Brahms, Webern and Schumann (505 8190). Tomorrow: Pinchas Steinberg conducts the Austrian Radio Symphony Orchestra in music by Falla, Rodrigo and Dvořák (505 6356)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
0830-0900 (Tues) Spiegel TV – Intl Report – the real world of documentary
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly
2130-22.00 (Fri) Spiegel TV – Intl Report

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1800-1830 FT Business Weekly

Sky News
1330-1400, 2030-2100 FT Business Weekly

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Bosnia must be saved

THROUGHOUT THE civil war in Croatia, the central Yugoslav republic of Bosnia-Hercegovina managed to stay on the side-lines. It was not easy. Whenever federal units withdrew from Croatia, they were transferred to Bosnia. As a result, this ethnically mixed republic of Moslems, Serbs and Croats has one of Europe's largest armies stationed on its territory. Moreover, this army is perceived as an ally of Serbia, and could be called upon to fight on the side of the Serbs if Bosnia's turn for full-scale civil war, far bloodier than that in Croatia, cannot be avoided. In addition, the governments of Croatia and Serbia have repeatedly said parts of Bosnia should be annexed to their respective republics. If both claims were satisfied, little or no territory would be left for the Moslems, the largest ethnic group, who make up 43 per cent of the population.

Fears of such a partition or civil war have prompted the Bosnian government to adopt three measures. It has assured all citizens of the republic that their ethnic, cultural and political rights will be respected. It has guaranteed that the army will be housed and paid. And, on the recommendation of the European Community, it held a referendum on independence last weekend. The hope was that the outcome of the referendum would finally establish the republic's status, and bring stability. Alas, not so.

Serbs' boycott

The Serbs – one third of the population – boycotted the referendum, contesting the right of the other two communities to split them from their cousins in Serbia and force them to join a new state. For their part, Moslems and Croats overwhelmingly voted for independence. Once the result was known, armed Serbs threw up barricades around Sarajevo, the capital. Several people were killed. In the north of the republic, where Serbs have established an autonomous region, Croats and Serbs have already been fighting each other.

Rather than risk plunging the republic into civil war, the Bosnian government earlier this week made some concessions to the Serbs, promising them more access to the media and more representation in the police. But it also appealed to the EC again for recognition.

The EC is faced with a difficult choice. If it recognises the new state it may fire the starting-gun for civil war, since Serb leaders have said they will fight rather than live in an independent Bosnia. But if it delays recognition, it will be perceived as yielding to Serbian intimidation. More worrying, delay is likely to radicalise the Moslems, and encourage nationalist Croats to seek unity with Croatia.

Territorial integrity

Independence for Bosnia will be meaningless unless the territorial integrity of the republic can be guaranteed. Therefore the EC, if it goes ahead with recognition, must serve notice that it will not countenance claims on Bosnian territory by either Croatia or Serbia. And it must send a clear warning to Serbia that the Bosnian Serbs should not be encouraged, still less materially aided, in any attempt to thwart by force the expressed wish of the majority of the republic's citizens. It should be clear to Serbia's leaders that interference in Bosnia will delay the lifting of EC sanctions against Serbia.

The EC peace conference on Yugoslavia has already set up a committee aimed at reaching consensus among all the ethnic groups in Bosnia. This should be convened immediately with the aim of assuring the republic's Serbs that they will not face any discrimination, and of trying to stop the violence. Meanwhile, the UN peacekeeping troops should be sent as soon as possible to Sarajevo, which has been designated as their headquarters. Although their mandate is to keep the peace in Croatia, their presence in Bosnia should help to discourage violence there. Serbia must realise that escalating the tension in Bosnia will only delay the deployment of UN troops to protect the Serbs in Croatia.

In short, the UN as peacekeeper and the EC as peacemaker must continue to work in parallel. The barricades in Sarajevo should not deter either from acting quickly.

A charter for passengers

THE PASSENGER'S Charter yesterday drew into the platform almost six months later than scheduled. The reason for the delay was not leaves on the track or the wrong kind of snow so much as the difficulty of finding money to fund the scheme. If passengers are to be paid compensation for service failures, British Rail must either find the money from lower investment or higher fares – in either case rebounding on the passengers it is intended to help. The charter therefore emphasises prevention rather than cure.

For example, each of the 15 main commuter routes into London is to be set "challenging but achievable" targets for reliability and punctuality which will reflect the investment which has gone into it. Failure to meet the targets will lead to automatic discounts for commuters on the cost of renewing season tickets. Each line's progress will be monitored on a monthly basis, so that managers have the opportunity to improve performance and avoid payouts.

Hard-pressed commuters on unmodernised lines such as that between Southend and London's Fenchurch Street station will no doubt welcome any incentive for BR managers to reduce the level of misery created by continual delays and cancellations. But the London arrangements will not *automatically apply to commuters* in other large conurbations where local rail services are the responsibility of Passenger Transport Executives.

Existing scheme

On other parts of the railway network, yesterday's charter may offer less compensation than is available under the existing discretionary and little-publicised scheme. For example, while the charter specifies compensation for trains which are excessively delayed, no recompense is offered if trains are unheated in cold weather (as is sometimes available under the present scheme). And compensation will be in vouchers against the cost of future travel, rather than in cash.

All of this is understandable if the aim is to persuade rail managers to be more attentive to passengers' needs without incurring extra expenditure. But the only long-term solution to the failure of state ownership to provide an acceptable level of service is to open the railways to private capital and competitive pressures.

Like the passenger's charter, the government's plans to privatise BR have been running unconscionably late. In this case, the delay has been to good purpose, since it has allowed ministers to examine and reject the favoured strategy of selling off profitable operations such as InterCity complete with trains and tracks. This would have left each operation as a monopoly, and made it hard to privatise parts of the network which cannot be profitable when competing with roads that are free at the point of use.

Piecemeal procedure

Now ministers plan to proceed piecemeal, beginning by removing BR's monopoly over the provision of rail services. With more than a dozen private operators queueing up to run trains on the network, an element of competition could be introduced quickly. That would be followed by the sale of profitable operations such as InterCity without their tracks. Loss-making services would be franchised to the bidder prepared to accept the lowest subsidy. Ultimately, BR itself would *dwindle* to a track authority, with responsibility for centralised functions such as safety, timetabling and ticketing.

This divorce of the ownership of trains from the ownership of track offers a significant benefit. If the government would accept responsibility for the latter – as it does for roads – the charging structure for both could be put on a comparable basis. Much more of the rail network would then offer profitable opportunities for business.

It would also place UK rail operators in a strong position if the European Commission proceeds with plans to separate train operation from track infrastructure across the EC. If British train operators have become accustomed to competing on the UK railways, they will enjoy competitive advantage in any deregulated European rail market.

Martin Dickson and Patrick Harverson assess the reforms at Salomon, the US securities firm brought low by scandal last year

Modern plumbing for a shaken house

Mr Deryck Maughan, the softly spoken Englishman catapulted into running Salomon Brothers, the scandal-stricken US securities firm, simply calls it "a tremendous amount of sewer and pipeline work".

It is a classic understatement. For what Mr Maughan is talking about is nothing less than reforming the management systems of one of Wall Street's biggest firms – including tackling the sensitive issue of pay.

Furthermore, the overhaul of Salomon's plumbing has been largely carried out in just four months, in the shadow of a bond trading scandal which came close to destroying the business, and which may yet cause it serious harm. Crisis management does not come much tougher.

When Salomon's new management team of Mr Warren Buffett, interim chairman, and Mr Maughan, chief operating officer, took over last August they faced three main challenges.

The first, accomplished with some deft financial footwork and delicate politicking, was to prevent a liquidity crisis which could have bankrupted the firm.

The second was to regain a reputation for honest dealing. This had been shattered by the revelations that Mr Paul Mozer, the firm's senior bond trader, had faked orders at US Treasury bond auctions; worse, Salomon's former management, led by Mr John Gutfreund, its ousted chairman, had failed to report Mr Mozer to the authorities when it discovered his wrongdoing.

The third, much more complex, challenge was to shake up Salomon's management systems and improve the basic profitability of its businesses

> **'It is unthinkable that we would come out of the investment banking business'**
> **– Deryck Maughan**

without further damaging the group's shaken morale. On this the jury is still out.

Many securities firms are prone to weak management. But it is now clear that even by Wall Street's standards, the management systems at the old Salomon were poor and promoted intrigue, indecision and croneyism.

Mr Gutfreund, the man once dubbed "The King of Wall Street" by BusinessWeek magazine, presided over a structure resembling a mediaeval court. Charming, contemptuous and and ruthless by turns, he had built Salomon up from a US bond trading business into a leading integrated global securities house.

Mr Gutfreund devolved power onto a group of independent fiefdoms, each running a main business line, but made sure their leaders remained dependent on his patronage. For example, department managers had overlapping responsibilities, making it unclear who was responsible for what – a situation Mr Gutfreund reportedly seemed to encourage.

Nor was there a modern budgeting system, with revenue and expense targets coherently defined for departments at the start of the year. "The game was allocate the expense and see if anyone objects," Mr Maughan recently admitted.

The link between pay and performance was also weak, with the allocation of bonuses depending substantially on a individual's relationship with Mr Gutfreund and Mr Tom Strauss, his deputy.

In 1990, a year when operating profits were flat, the wage bill leaped by $120m (which at the time prompted an unsuccessful and secret boardroom revolt by Mr Buffett in his capacity as a non-executive director).

It was a system lacking accountability, guaranteed to create strife, and perilously dependent on strong central leadership. That, say insiders, is what it increasingly lacked: both Mr Gutfreund and Mr Strauss tended to procrastinate over difficult decisions, and the former became increasingly remote from day-to-day operations.

Reform has been left by the hands-off Mr Buffett largely to Mr Maughan. A 44-year-old coal miner's son who once worked in the British Treasury, he joined Salomon in 1983 and made his name running its highly successful Japanese operations. He had only been back in New York a few months, as co-head of investment banking, when the scandal broke.

One of his most basic reforms has been to make clear just which managers are responsible for what businesses. The starting point has been to define Salomon as a series of global product lines. One, for example, deals in US fixed income securities, another in Japanese equities.

Next, Salomon needed to decide which centre should have responsibility for these operations. For example, should someone trading Japanese warrants in London report to an executive in the British capital, New York or Tokyo? The old Salomon, in common with some of its Wall Street rivals, had always fudged this issue.

Now, the Japanese warrant trader would report to a London manager on a day-to-day basis, but the strategic direction of his business and his pay would be set in Japan. This is because the businesses dealing in Asian securities will now be run out of Japan, European ones out of London, and US securities out of New York, which is also the centre for the global investment banking business.

With business units more clearly defined, Mr Maughan has also been able to draw up revenue and expense targets for each, as well as making pay much more closely related to a department's performance.

The reshaping of compensation began last autumn, when $110m previously allocated for bonuses was clawed back, making 1991's total wage bill rather smaller than 1990's – even though profits rose by two-thirds.

This year, the firm is implementing a new wages and bonuses system. Each department has been guaranteed a minimum pool of money, substantially lower than last year's pay packet, but it can earn much more if it exceeds its revenue targets. A much higher proportion of bonuses will be paid out as Salomon stock, to link an individual's interests more closely with those of the company.

These changes in pay have caused unrest and numerous defections. Apparently unnerved by the departures, in January the firm offered pay guarantees to six members of its US equity research department to prevent them quitting – breaking its own ban on such ironclad offers.

Staff unrest has been exacerbated by the Buffett/Maughan changes in Salomon's business mix, for in an attempt to boost profits they have made made cuts in parts of its two weakest areas, equities and investment banking, which the Gutfreund regime was prepared to subsidise from bond trading activities.

In equities, Salomon has abandoned speculative proprietary trading, which means it no longer takes large shareholdings for itself in US stocks in the hope of making a profit. It now admits this business was unprofitable and absorbed too much capital.

In investment banking, some 50 staff have been trimmed across the board, most notably in real estate, where about 20 out of 40 jobs have gone – a troubled area for all Wall Street. However, many of these cuts were planned before the scandal broke, because of market changes.

The cuts have led to accusations from departing employees that Salomon is abandoning its commitment both to equities and investment banking, retreating to its origins in bond trading. This is a serious charge to level against a company which aims to be one of a handful of integrated global securities houses, a role which demands a strong presence in all three areas.

Salomon's leaders insist it is quite wrong. "It is unthinkable that we would come out of the investment banking business," says Mr Maughan. "It is unthinkable we would give up underwriting." What Salomon is simply trying to do, he says, is manage these businesses better. The firm insists it is adding to its equity research and distribution capabilities.

Nevertheless, it is ironic that both equities and investment banking have suffered far more from the bond trading scandal than the department which caused it. This is not just because of the cuts. Their trading operations have also been hit hard.

For while companies have continued using Salomon for bond issues, they have been reluctant to give it the lead management of sensitive equity underwritings or takeover advisory work while the firm is still under government investigation.

In US equity underwriting – normally an extremely profitable operation – Salomon slipped from fifth in the Wall Street league table in the first eight months of last year to ninth position in the August 1991-January 1992 period.

This was reflected in Salomon Brothers' minuscule $27m fourth quarter pre-tax profits – at a time when the rest of Wall Street was making hay. (Parent Salomon Inc, which includes its Phibro Energy business, had a $29m net loss.)

Salomon's rivals are predicting that the firm, Wall Street's former bully boy, will emerge from the crisis a mere shadow of its former self, both in terms of business scope and that elusive, but vital, ingredient for a successful securities firm – group morale.

"Buffett has gone too far," opines a top executive at another leading Wall Street house. "He's talked down the company to the point where many of its young people, who were just doing their job, have got the impression he doesn't value what they have accomplished."

But the doom-mongering involves a degree of wishful thinking. For one thing, Salomon retains enormous clout in global capital markets, with one of the leading positions in debt and equity underwriting. For another, the reforms now being put in place could allow the firm to emerge from the crisis a better managed and possibly more profitable business.

Nevertheless, the firm still has to pay the price for its misdeeds. It is in negotiations with the government over a settlement, will at least be fined heavily, and has taken a $200m charge against earnings to cover this *and a host of private lawsuits.*

Less certain is the scope of any government sanctions. It seems unlikely that Salomon will be barred completely from Treasury auctions. However, a ban imposed in August on it bidding at auction for its customers (it can still bid for itself) could be extended.

The key questions facing the firm now are how quickly the government will decide on its punishment; whether this, coupled with the management upheavals, will sap staff morale much further; and whether it will win back lost clients and improve its earnings.

Despite Wall Street's recruiting efforts, Salomon has not lost too many big names so far. But it recently had to hand over large payments to senior executives in a special deferred compensation programme devised by Mr Gutfreund. This has loosened the "golden handcuffs" tieing many to the firm, and is already adding to the outflow.

Another uncertainty is whether the new, squeaky-clean Salomon will be quite as willing to take the aggressive risks with positions in the bond and derivatives markets that were the lifeblood of the old firm. Senior executives insist it will, pointing out that its capital base is still the biggest on Wall Street. Outsiders remain dubious.

Mr Buffett, echoing the great banker J P Morgan, declares that Salomon's goal is to do "first-class business ... in a first-class way". But might this lead the firm to pull its punches? After all, Mr Buffett is also on record as saying that "if you want to make money, go to Wall Street and hold your nose".

Striking the right balance may not be easy, though the installation of a modern plumbing system should at least keep more nasty odours at bay.

Common stock

	1991 $bn	1990 $bn	1991 Issues	1990 Issues
Goldman, Sachs	9.39	2.60	58	22
Alex Brown & Son	7.47	2.79	63	30
Merrill Lynch	7.28	2.05	61	32
First Boston	4.09	0.92	42	13
Morgan Stanley	4.06	0.88	35	13
Lehman Brothers	3.37	1.78	55	21
Salomon Brothers	3.26	1.65	31	21
Prudential Securities	1.67	0.30	16	6
PaineWebber	1.62	1.21	41	20
Donaldson, Lufkins & Jenrette	1.38	0.10	18	3

Investment-grade debt

	1991 $bn	1990 $bn	1991 Issues	1990 Issues
Merrill Lynch	48.59	29.18	327	242
Goldman Sachs	40.10	16.78	351	107
Lehman Brothers	30.67	7.11	361	48
Morgan Stanley	23.62	22.88	165	152
First Boston	20.99	9.57	193	65
Salomon Brothers	15.50	13.67	86	67
Kidder Peabody	5.66	2.40	90	16
JP Morgan	4.75	0.44	75	4
Bear Stearns	1.98	1.96	16	16
PaineWebber	1.87	1.05	31	15

Source: IDD Information Services

OBSERVER

Volkswagen's follow-on

■ However many miles they may have clocked up in cars loaned by manufacturers, the world's motoring journalists have never been taken for a smoother ride than by Volkswagen's Carl Hahn at VW's press dinner in Geneva.

Speculation has been raging for weeks about who will succeed him as chairman of the management board of Europe's biggest car-maker. While pole position was held by former French academic Daniel Goeudevert, board chairman of the Volkswagen division, he has evidently been overhauled by engineer Ferdinand Piech, head of VW's Audi subsidiary and a family shareholder in troubled Porsche.

Despite his reticent public manner, the latest betting rates Piech as the narrow favourite to be Hahn's replacement.

Hence an audible high-revving of interest among the banqueting hacks when, after reciting the familiar list of the *group's achievements, Hahn* declared: "Now let's come to talk about the successor," and paused pregnantly before continuing:

"The successor of the Golf II, the Golf III, is proving an outstanding success. The successor must always be better than the predecessor and that must be the case in the future too, and not only for cars."

Conning power

■ What did Britain's Royal Navy reject as "a low class of weapon, underhand, unfair and un-English"? The submarine, of course, on first being offered one by the legendary arms dealer Basil Zaharoff.

Observer is indebted for the quotation to Vickers' managing director Sir Colin Chandler, whose memory has been jogged by today's launching of the UK's first Trident submarine, HMS Vanguard. Like the vessel's now independent builders VSEL, Zaharoff once belonged to the Vickers group; he was its chief agent from the turn of the century until the inter-war years.

The submarines he was flogging in the 1880s, however, were Swedish-designed. Although spurned by the RN, he persuaded the Greeks to pay £9,000 for one which, despite its refusal to work properly, scared the Turks into buying two. Whereupon the super-salesman wrote to the Russians suggesting that, as a great power, they needed at least four.

"Needless to say, the Russians fell for it," Chandler told an Edinburgh University meeting last night, before adding: "There is no record of Zaharoff having sold submarines to Switzerland. But, then, the Swiss were always a secretive people."

In the swim

■ Metal Bulletin's chairman Trevor Tarring is clearly chuffed with the way his company is bucking industry trends and reporting higher profits. Nevertheless, he is concerned that Emap, which has picked up a 20 per cent stake, might launch a full takeover bid.

Emap paid a substantial premium over market prices for its shares and Tarring observes "it is unfortunate that it required transactions of this nature to persuade the stock market that the valuation placed on our shares a year ago was so far out of line with their intrinsic worth. Even the 200p a share Emap paid was not a serious reflection of the value of MB."

In that case, why did Tarring sell some of his MB shares last year?

"My wife wanted a swimming pool," he says with a resigned shrug of the shoulders.

"It's a portrait of me writing out a cheque to the Tory party"

Fourth attempt

■ Has Jacques Attali finally met his match? Barbara Ann Clay, formerly public affairs director at the US Treasury, is the fourth person to accept what many outsiders regard as a pretty thankless task: handling relations between the European Bank for Reconstruction and Development's president and the outside world.

Her immediate predecessor Graham Watson walked out after mere months because he couldn't work with Attali, so was she not a little uneasy?

The 37-year-old Clay is too shrewd a political cookie to be drawn into that sort of debate. Having run a restaurant on New York's Long Island for five years, she has had more than her fair share of difficult customers.

Her political training started when she followed President Reagan into the White House in 1981 as an unpaid intern. Ending up as press secretary to several directors of the Office of Management and Budget, she should know how to deal with intelligent men with big egos.

The fact that she was David Mulford's press secretary at the US Treasury inevitably raises a suspicion that the Americans have put in another of their own to keep an eye on Attali's grand ideas. But Clay, whose French is "not as good as it should be", firmly denies it.

Even so, noting that her degree from the State University of New York at Oneonta is in theatre, Observer would love to be backstage when she and her new employer have their first big row.

Cross-over

■ Still on the subject of big wheels and their revolving spokespersons, eyebrows will be raised by Sir Alastair Morton's latest Eurotunnel recruit. John Noulton, a former under secretary at the department of trade, is deserting Transmanche-Link, where he was administration director, *to be Eurotunnel's latest director* of public affairs. Will this exacerbate the already frosty relations between the two sides of the project, or help heal the split? At least Noulton should be able to stand up to the abrasive Morton and it could enhance the chances of an amicable settlement.

Chain reaction

■ The super-unions are coming. Yesterday saw an overwhelming vote by members in favour of amalgamation between the AEU engineering union and the EETPU electricians union. Public service unions Nupe, Nalgo and Cohse are also deep in talks.

All that remains is for FTAT, the furniture union, to join forces with MSF the technical union. Naturally, the new combined union would be refloated under the name MFI.

ECONOMIC VIEWPOINT

Why sound money took so long

By Samuel Brittan

In the days when there was something called an economic debate, any one of the books in the adjoining panel would have provided scope for vigorous discussion. Today when there are too many books, but insufficient time and attention for them, I have no choice but to indulge in a wrap-up article – a form beloved by literary editors but which I normally much dislike.

There is, however, a sort of historical progression among these particular books. John Fforde's official history of the Bank of England covers the post-war period up to the end of the 1950s. Sir Alec Cairncross has marked his 80th birthday by writing, editing or contributing towards no fewer than three volumes. The Legacy of the Golden Age refers to the 1960s and reports a birthday conference.

The book that he has co-authored on the IMF crisis of 1976 draws on an earlier first-hand account by Edmund Dell, who was Trade Secretary at the time and almost the only Cabinet minister who believed in the IMF programme – the others believed in lip service at most. Dell's book has a freshness and on-the-spot quality which no subsequent historian could hope to match.

The nakedness of the British Keynesian economic establishment in the face of stagflation (unemployment plus inflation) comes out in this episode. Dell brings out how split and helpless the Treasury had become, with Sir Douglas Wass, the permanent secretary, and the economists fundamentally sympathetic to Labour's resistance, and the overseas officials wanting to make fresh spending cuts for vague reasons of confidence. An ironic feature is that Dell was more in favour of Denis Healey's pro-IMF position than Healey himself, who could not wait to declare what he elegantly called "sod-off day" with the Fund. As for his later claim that the agonies would have been unnecessary with better forecasts of the Budget and balance of payments deficits, Dell remarks: "One measure of successful economic management is independence of forecasting errors."

The most disappointing volume, with the exception of James Buchanan's contribution, is that in which eminent economists give their "life philosophies". The editor, Michael Szenberg, has somehow caught the wrong generation. These are the first generation of economists at or nearing retirement, who aspired to see in their subject a hard science. Many of them profess to be bewildered, flattered or amazed at being asked for such essays. They give us everything from a potted history of their own research to folk wisdom and bizarre homespun metaphysical systems. Their politics show a yearning for active government or market socialism, even though quite a few of them have their roots in central and eastern Europe. The long and variable lags in publishing mean that they have not been forced to take on board events in their homeland.

Mention of long and variable lags brings me to what, despite all differences about the ERM, is the one of these books that I would take to a

The Bank of England and Public Policy 1941-1958
By John Fforde
Cambridge £75

The Legacy of the Golden Age: the 1960s and their Economic Consequences
Frances and Alec Cairncross (ed)
Routledge £35

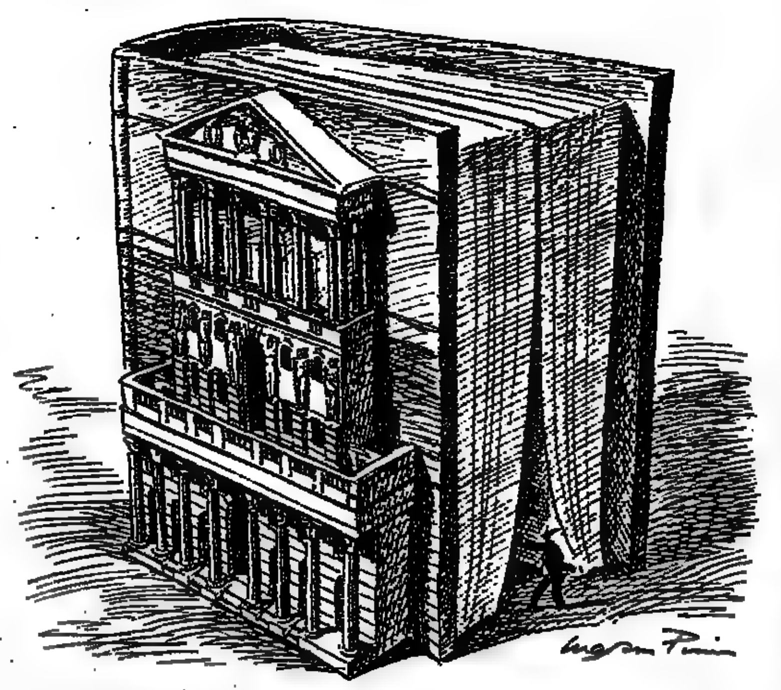
Goodbye Britain: The 1976 IMF Crisis
By Kathleen Burk and Alec Cairncross
Yale £18.95

Politics and Economic Crisis: 1974-76
By Edmund Dell
Oxford £20

The British Economy since 1945
By Alec Cairncross
Paperback

Money Mischief: Episodes in Monetary History
By Milton Friedman
Harcourt Brace and Jovanovich $19.95

Eminent Economists: Their Life Philosophies
Michael Szenberg (ed)
Cambridge £24.95



desert island, that by Milton Friedman. It also has the longest historical sweep from "stone money" at the dawn of history to US "bimetallist" advocates of a combined silver and gold standard and the choices facing countries trying to stabilise prices after decades of many-digit inflation; and it gives an accessible account of Friedman's main positive ideas.

But the student of British economic policy must earn his right to read Friedman under a palm tree by first reading how monetary policy was seen by the post-war Bank. Fforde, a former Bank economist and executive director, attracted attention in the early 1980s with his outspoken objections to the Thatcher government's monetarism as a form of theology of which the Bank wanted no part. In this history he shows himself as sceptical towards the Bank's own pieties.

The whole book can be read as an argument for an independent and accountable Bank, with much emphasis on the second adjective. But it is an argument based not on an admiration for the Bank's positive performance, but rather the opposite. As early as 1945, the Governor of the Bank of Canada, Graham Towers, wrote to Lord Keynes: "The half-way arrangement under which the central bank is neither a department of government pure and simple, nor directly responsible to the public for its actions, may contain the worst elements of both worlds." Fforde himself writes of the Bank's tendering of advice to the government in private, "to the probable detriment of public understanding of important issues". And its emphasis on its role as an intermediary between Whitehall and the banking system "brought little advantage to either". Just so.

'One measure of successful economic management is independence of forecasting errors'

There is also a mild sort of *bête noire* in his story in the unlikely shape of Lucius Thompson McCausland, a self-taught adviser to the Governors, who had the temerity not to have an economics degree, but who was attached to "ingenious schemes". As far as I remember, the "Maudling Plan" for dealing with the imagined shortage of international liquidity which he devised in the 1960s was no worse than any other.

This new history is also a quarry of information on the ill-fated Operation Robot – a plan to make sterling convertible at a floating rate in 1952, vetoed by Churchill on Lord Cherwell's advice. The choice between a domestic and an external monetary constraint is a matter of time and place and I have always had a retrospective sympathy for Robot, which is quite consistent with later support for the European Monetary System. A floating and convertible pound in the 1950s might have brought forward by two or three decades the dash for economic freedom without the need for the passions of the Thatcher era.

The part of the book with greatest contemporary relevance is oddly enough the early part which deals with the Bank's profoundly unsatisfactory response to post-war nationalisation, when *it had an opportunity to* seek clearly defined responsibilities, but confined its attention to the narrower question of statutory powers over banks. Indeed, my own earliest memories of the Bank was the passion with which some of the directors felt that bank lending should be regulated neither by interest rates nor by controls, but by the Governor and his subordinates talking gentleman-to-gentleman to the clearing banks. Even then it was obvious that this approach, besides being repellent, had no chance of surviving the advent of newcomers from outside the club. But what an abdication from the great issues of the day to concentrate on this client relationship! Another memory of those days is of Sir Maurice Parsons, a deputy Governor (who became "morose, difficult" and worse after the 1967 devaluation), complaining that I had asked very politely to see the information on which his sweeping judgments were based.

Indeed, as I recount in my own contribution to the Cairncross inquest on the 1960s, it was the appallingly bad case put up by the advocates of sound money in the Bank and elsewhere which made me believe at the time in growthmanship, ie: using rapid demand expansion to stimulate industry into more vigorous performance. The demonstration that the end result would be inflation without more growth or jobs came from Friedman, while the Bank was mainly preoccupied with the immorality of letting down sterling balance holders.

For a synoptic view of all the post-war era, including the 1980s, we return again to Cairncross. Has all the agonising been about nothing? Cairncross in the conclusion to his economic history points out how steady the British economic growth rate has been, at about 2¼ per cent per annum over many decades. The striking feature is how continental growth rates have fallen from earlier highs; so that the period started with lamentations about the British growth gap and ended with disputes about whether the gap had been closed in the 1980s. In terms of output per head of population the differences were nothing like as great as popularly supposed. He remarks that the great failure has been not growth, but the fading of full employment.

Cairncross remarks: "Most of the reasons why governments intervene relate to infrastructure, health, the environment, monopolistic influence, and so on, not to innovation and productivity." Would this were all!

He is sceptical about claims that events would have been different under different policies. "We find in government a convenient scapegoat for outcomes of which we disapprove." He believes that national governments will occupy less and less of the stage; and so far as we look to policies at all, they will have to come from institutions, which are international in character. Such institutions seem to me to be even more cumbersome, slow moving, and bound to last year's fashions than the national variety. But we shall survive.

LOMBARD

A better road to freedom

By Peter Bruce

Last month, Euskadi Ta Askatasuna (ETA), passed something of a milestone. Nearly 23 years after beginning a terrorist war to "free" the Basque country from Spain, it killed its 700th Spaniard in Madrid.

ETA has killed 271 civilians, 26 of whom have been children or teenagers. This year alone, its bombers and *pistoleros* have killed 15 people, in an accelerating attempt to frighten the Spanish government into negotiating to ensure calm for this year's festivities: the Olympics in Barcelona and the Universal Exposition in Seville.

Sensibly, the government has done no such thing, though it is always alert to any cracks it might exploit in the wall of separatist fanaticism it finds among ETA prisoners, the operating leadership which hides in France, and the spread of support organisations in the Basque country, including the political party, Herri Batasuna.

Occasionally, a senior Herri Batasuna figure will peel off from the fight; sometimes a prisoner decides to leave the cause and is "re-inserted" into society. Dozens of ETA leaders are being picked up in France and Spain.

But the killing continues and Herri Batasuna has a firm hold on 15 per cent of the Basque vote. For any Spanish government, it must be a tiring struggle.

It has been perhaps most depressing for Prime Minister Felipe González and his Socialist party, in power since October 1982. Many of its political and trade union leaders, drawn from the Basque country, genuinely believed that under enlightened liberal rule from Madrid, Basque separatist terrorism would wither and die.

The Basque country is, probably, the most truly autonomous region in the European Community. Its three provinces collect all their own taxes. It has its own police force. Its obscure and difficult language is taught in schools and universities despite the fact that fewer and fewer Basques wish to learn it. Central government subsidies have kept alive the region's dilapidated steel and engineering industries.

In Spain, Basques control some of the land's biggest business and banking empires. The Basque country itself is a glorious place. Its chefs are probably the best in Europe. San Sebastian, its second city, is one of the most beautiful. Its alpine countryside is a breathtaking relief from the arid *meseta* at the centre of Spain.

It is easy to understand why Basques love their country. They all do, and they are almost all nationalists. But a small and determined group continues to kill and maim for it.

Few countries would have been able to respond to this violence with the maturity shown by Spain. It quite reasonably considers the Basque country to be an integral part of its territory and has refused to bend to the provincial and anachronistic arguments for separation that draw – as do most such causes – on dreams of recreating history before the birth of modern nation states.

Madrid does not expect anyone else to fight its battle for the hearts and minds of the Basques, but somehow the issue needs to be broadened. ETA's war is not of much concern to the rest of the world, but it remains a serious threat – probably the only threat – to a liberal and respected democracy. Somehow, ETA's supporters need to know that violence will not be rewarded and that violent separation from Spain means exclusion from the political and economic communities Spain already belongs to.

Members of ETA are highly motivated and well-organised. They draw morale and political sustenance from the Basque public that regularly votes for Herri Batasuna. It is time Spain's friends and neighbours began to speak to those voters before the Basque country becomes a European problem closer to the heart of the continent than Northern Ireland.

This does not excuse Madrid from doing everything possible to find its own political solution. But the narrow Basque gaze needs to be shifted from Madrid to the wider European stage.

LETTERS

Measures to prevent abuse of pensions

From Mr I M Aitken.

Sir, I was interested to read that MPs are expected to recommend radical changes in pensions law ("MPs hit at City over pensions regulation", March 3).

The Pensions Management Institute takes seriously the abuses occurring within the pensions industry, even though the vast majority of schemes are well managed.

The council of the institute believes that measures must be taken to ensure that these shortcomings do not and cannot occur again. We have outlined our views in written evidence to the Commons' social security committee.

We are aware that some pension scheme trustees only pay lip service to many aspects of the regulations and no action is taken by the authorities when breaches occur. The Council of the institute believes that associates and fellows of the institute (qualified by professional examinations) should be given a statutory role in supervision. This will improve members' security and safeguard pensions.

One cannot legislate against fraud – however, with proper supervision it can be made more difficult.

I M Aitken,
vice-president,
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Ford's fully-integrated operations across the EC

From Mr William H Fike.

Sir, I read with interest your leading article, "Developing cars across borders" (February 27).

Many of your readers may remember that Ford of Britain and Ford of Germany used to develop competing models, which they sold to whichever Ford company could sell them.

It was to make more productive use of the company's considerable assets across Europe that Henry Ford II formed Ford of Europe in 1967.

Most of the duplication has been steadily removed over the years, so that today, on the eve of Europe's single market, Ford probably has one of the most fully-integrated, European Community-wide operations of any industry.

Cross-border teamwork is the approach that we use. And it is in this vein that we have been studying whether we could effectively increase this teamwork by bringing members of particular teams together in the same locations.

For example, engineers from Britain and Germany recently moved temporarily to our Genk plant in Belgium to oversee the development and start-up of a big project we have there.

When it comes to developing cars, our own in-house video-conferencing and our global computer networks mean that Ford in Europe can share skills and solutions between teams located in different countries.

This approach is indeed – as you point out – different from the one used by many of our competitors.

Most – especially the Japanese – do all their basic design and engineering in their country of origin, but are increasingly turning to overseas groups to help adapt the central design for local market conditions.

Ours is a different philosophy. Ford believes that the excellent engineering resources that it has in different countries, and on different continents, can be a source of strength.

It is perhaps significant that Ford's European design team, located in Britain and Germany, is leading the "world car" project that within the next few years will lead to the replacement of the North American Ford Tempo and Mercury Topaz, as well as the European Sierra.

William H Fike,
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Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

BICC's role in development of semiconductor

From M R Tubbs.

Sir, In his article "GEC breakthrough improves prospects for superconductors" (February 26), your science editor gives the impression that the discovery of a new high temperature semiconductor was a General Electric Company development.

The discovery was, in fact, the work of a joint team of BICC and GEC engineers and has been patented jointly by BICC and GEC researchers.

Both companies are members of a European Community collaborative project on superconductivity which also includes Asea Brown Boveri, Alcatel Cable, Pirelli Cavi and Siemens.

BICC is co-ordinating a related EC techno-economic study of the applications of superconductors, particularly for power cables.

BICC also funds, with the fellowship of engineering, a senior research fellowship at the University of Cambridge in superconductivity.

Among other results, this has led to an improved high temperature superconductor showing superconductivity at -145 deg C.

M R Tubbs,
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Maryland Avenue,
Hemel Hempstead,
Herts

Shareholders, management and the need for greater regulation

From Mr Brian Cole.

Sir, There is a flaw in the argument of Dr Maurice Gillibrand's letter (March 3) which attacks Sir Owen Green's contribution to the debate at the conference of the National Association of Pension Funds.

Dr Gillibrand's thesis is that shareholders should consider themselves the owners of companies, and he cites in evidence "the unrestrained action of directors in Guinness, Polly Peck and Maxwell Communication". He overlooks the fact that Messrs Asil Nadir and Robert Maxwell could rely on their power as shareholders, not their power as directors, to have their will of their companies. They were exercising to the extreme the doctrine that shareholders own the business.

Sir Owen is quoted as saying that shareholders would be better regarded as freeholder landlords than owners of public companies. Freeholder landlords have the right to ensure the preservation of their property, and leasehold tenants do what they will within this limitation. Similarly, we must surely recognise that shareholders (as well as directors) have limited rights and cannot do what they will with the company.

Increased statutory regulation seems to be rejected by Dr Gillibrand, in favour of "an improved relationship between management and shareholders". As an ex-member of Robert Maxwell's staff, who feels badly let down by the failure of the law, regulatory bodies and institutions to protect my pension, I do not believe we should wait for such a loosely defined utopia.

Shareholders and management are often controlled by the same individuals; in public companies at least their selfish interests must be subject to greater regulation – and urgently.

Brian Cole,
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From Mr Michael D Varcoe-Cocks.

Sir, In postulating "the reality that the shareholders, having provided the capital, are thereby in effect the owners of the business" Dr Gillibrand ignores one crucial point.

Whereas the managers of a business have to stay and run the business, shareholders can, by picking up a telephone or touching a screen at a bank, sell their shares and sever their limited and totally selfish connection with the company.

Someone who provides finance for a defined period could be said to be an "owner of the business", but shareholders – who can sell their shares on a whim with no real thought for the company's well-being – cannot claim any right to "own" the business, still less any right to control its management.

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FINANCIAL TIMES
Thursday March 5 1992

Bosnia melting pot simmers with fear

Laura Silber in Sarajevo finds the capital rife with rumours and paralysed by panic

THE price of grenades has fallen from DM100 ($60) to DM20 over the past week in Sarajevo, the capital of the Yugoslav republic of Bosnia-Hercegovina.

The peace agreement between Serbs, Croats and Moslems is not what has reduced the price. It is that supplies of weapons are now more abundant as the fear of civil war permeates the city.

Sarajevo's inhabitants are on the verge of panic. All flights out of the city are fully booked. Rumours abound – Serbs have massacred three Moslems, the Moslems have killed a Serb baby.

Last night, Moslems for the second night in a row massed in fear amid rumours that Serbs were marching on the capital.

The medley of minarets and church spires in Bascarsija, the old Turkish bazaar, was once seen as a monument to peace among the republic's Slavic Moslems, Serbs and Croats. But the image of Sarajevo as Yugoslavia's melting pot has been destroyed.

Everyone now seems to be armed. On the streets young men jump out of VW Golfs, toting machine guns and hunting rifles. They vow to defend their homes. Many are wearing maroon berets and military uniforms. They are all prepared for another cold night on the barricades.

All the self-styled protectors blame someone else for the crisis. A Serb blames the Moslems, the Croats and the European Community. Moslems say Serb leaders are destroying Bosnia. But all sides agree that a conflict in Bosnia would be much bloodier and more brutal than the war in Croatia, which claimed at least 10,000 lives.

"Croatia is a gentle mother compared to what would happen here. God forbid it ever starts in Bosnia," said one Serb gunman sipping Turkish coffee at a barricade on the road to Pale, a Serb village which lies amid snow-flecked mountains eight miles from Sarajevo. His comrades laugh, not unkindly, when a gun goes off and I look frantically for cover.

On another road Paja, a Moslem and a towering bear of a man, warns of a massacre if the Serb-dominated federal army tries to take over Bosnia. "Bosnia is not like Croatia. We have got mountains, tunnels and bridges. We can stop the army very easily. We can block them, destroying the tunnels and bridges. Tanks can't fly," he says, directing his men to take up positions.

Bosnian television desperately appeals for calm. The president of Bosnia says people should step outside and enjoy the sunshine. But in this climate of deepening hysteria, the president's appeal is seen as a veiled call to arms.

Back in the safety of my hotel I ask a man for a light. He pulls out a revolver. His friends, gesturing with their own pistols, laugh.

Outside gunshots pierce the twilight. In Sarajevo's neighbourhoods, where Serbs live across the street from Moslems who live next door to Croats, people prepare for another night of uncertainty. Others head towards the barricades or the airport.

Moslem mourners at a traditional funeral in Sarajevo carry the coffin of 17 year-old Kenan Demirovic, who died in last weekend's clashes between Serbs and Moslems in the capital of Bosnia-Hercegovina

G7 summit seen as key to Gatt deal

By David Gardner in Brussels and **Quentin Peel** in Bonn

ONLY a crisis summit of the Group of Seven industrialised nations or a meeting of European Community heads of government have any chance of getting an agreement this year on the Uruguay Round world trade liberalisation negotiations under the General Agreement on Tariffs and Trade (Gatt).

This was the view of senior European Commission officials following Monday's sterile meeting of EC trade and agriculture ministers. It reflects a growing conviction in Brussels that the chance of a trade deal to revive the world economy is slipping away because of EC and US inability to agree on farm trade subsidy cuts.

In Germany, the opposition Social Democrats (SPD) stepped up their calls for a summit – at least at EC level – to resolve the Gatt deadlock.

Mr Hans-Ulrich Klose, parliamentary leader of the SPD, called on Mr Helmut Kohl, the German chancellor, yesterday to contact President François Mitterrand of France to negotiate a compromise. Failure of the Gatt round could cost Germany more than 1m industrial jobs, he said.

Ms Ingrid Matthäus-Maier, SPD finance spokesman, said it was "incomprehensible and irresponsible" of the German chancellor not to make the Gatt negotiations his highest priority. She called on him to call for an emergency EC summit.

The ruling coalition is itself divided on the issue, with Mr Jürgen Möllemann, the economics minister from the Free Democrats (FDP), campaigning for a G7 summit, although he has stopped short of openly attacking the French position.

However, the suggestions were dismissed yesterday by the German government spokesman, Mr Dieter Vogel. He said a special summit "with a great deal of fanfare" could actually hinder the process of negotiating necessary changes in policies.

He also rejected suggestions that the German-French relationship was the critical factor in the current stage of the Gatt negotiations. "It is not just a question of German-French relations, and not just a question of agriculture," he said. "It is a European-American theme."

Although Mr Möllemann promised 10 days ago that the chancellor would be telephoning Mr Mitterrand and President George Bush personally to mediate in the Gatt talks, Mr Vogel said that no such conversations had taken place. He would only confirm that "officials in the chancellor's office" had been in constant contact with their counterparts in Paris, London and Washington.

The Commission yesterday sent schedules listing the amount of food subsidies from which cuts would be made to Gatt in Geneva. In doing so Brussels overrode ministerial objections that this implied a commitment to cut the volume of subsidised exports, as well as the amount of subsidy. The EC is thus formally adhering to the timetable set by Gatt to conclude the Uruguay Round before April 19. Indeed, the EC is trying to arrange further talks with the US later this week.

But France, backed by the UK, Netherlands, Denmark and Belgium, were "totally unyielding" in opposing any restraint on exports, as opposed to subsidy, Commission officials said.

The other seven member states are equally determined that the Gatt formula on agriculture must allow the direct payments to farmers that the EC plans in compensation for price subsidy cuts, because they are largely decoupled from production and therefore do not distort trade.

Mr Möllemann warned that the prospect of a deal was receding fast, but he was outgunned by a vigorous French defence of EC agriculture. Mr Louis Mermaz, the French farm minister, said confidently "we will not capitulate, the Franco-German axis is alive and well."

Mr Möllemann has been testing the Bonn-Paris relationship by calling for a summit on Gatt of the G7, which Germany currently chairs. But the senior Commission official said it was clear that generally more liberal EC trade ministers carried little weight. With elections ahead in the UK, Italy and France – as well as the US – there was not enough political will for a deal within the G7, the official added, and Mr Kohl appeared more concerned to safeguard Germany's relationship with France.

ITC says Gatt's the best we've got, Page 5

Brady makes strong plea to Congress over $12bn IMF quotas

By George Graham in Washington

THE Bush administration yesterday renewed its efforts to win approval from Congress for its $12bn share of the International Monetary Fund's capital increase.

Mr Nicholas Brady, treasury secretary, made a strong appeal for Congress to pass "this all-important legislation". He warned that failure to do so would block the entire $60bn quota increase and "seriously impede the west's entire response to the new states of the former Soviet Union".

"IMF loanable resources are projected to reach very low levels toward the end of this year," Mr Brady said.

"Failure to increase the IMF quotas will jeopardise the Fund's ability to fulfil its responsibilities to the new states of the former Soviet Union and other countries of critical importance to our country."

Leading congressmen have shown mounting reluctance to vote for the IMF quota increase, and the administration has not appeared eager to press them on a politically unpopular issue.

A lingering recession has reinforced US hostility to foreign aid of any kind, and Mr Patrick Buchanan, the right-wing television commentator who is challenging President George Bush for the Republican party's presidential nomination, has repeatedly attacked the IMF as a waste of US money.

Appearing before the foreign operations subcommittee of the House of Representatives appropriations committee, Mr Brady yesterday denied that the administration had not pushed hard enough for the IMF quota increase.

But congressional aides, as well as some IMF officials, wish that the administration had committed itself more vociferously to the increase.

Democratic congressmen remember that in 1983 they voted for the IMF's last quota increase only to be attacked by Republican opponents in the 1984 congressional elections for wasting the taxpayer's money.

Libya shifts its assets

Continued from Page 1

part in terrorist attacks in Rome and Vienna.

"Because of previous experiences in the United States, you would expect some measures to be taken. The Arab world is the obvious destination."

To head off sanctions, Libya has raised the possibility of handing over the two agents to the US, on condition that the US in turn offers an "improvement of bilateral relations".

The suggestions comes in a report to Mr Boutros Boutros Ghali, the UN secretary-general, compiled after the return of his special envoy from Tripoli. This contains a series of proposals by Libya to resolve the confrontation. But British officials said these were "confusing" and "inadequate".

Diplomats in New York said the offer, revealed in the UN secretary-general's report, was an improvement on Libya's earlier intransigence, but insufficient to prevent the US, Britain and France from pursuing possible sanctions.

Hong Kong to raise reserves

By Simon Holberton in Hong Kong

HONG KONG plans to leave to China an accumulated budget surplus nearly 2½ times that promised by Britain in September in an accord between the two countries.

Mr Hamish MacLeod, Hong Kong's financial secretary, said in his maiden budget yesterday that by March 1997 the government planned to have accumulated fiscal reserves of HK$71.6bn ($9.25bn). Hong Kong reverts to Chinese sovereignty on July 1 1997.

Mr John Major, British prime minister, undertook last September to leave the new Hong Kong government with reserves of HK$25bn, including outstanding debt no greater than HK$5bn.

This pledge came at the same time as an agreement with Beijing that the colony could build a HK$100bn airport and related infrastructure projects.

Mr MacLeod said that, at the end of March 1997, the colony's reserves would amount to HK$62.8bn. Outstanding debt, which is included in reserves, would be HK$4.8bn.

To achieve this, he raised the corporate tax rate to 17.5 per cent from 16.5 per cent, in spite of having a large budget surplus.

The Hong Kong government is understood to want a sizeable fiscal cushion until 1997 to ensure that unforeseeable events – such as a worsening world economy, troubles in China, or a loss of investor confidence in the colony – did not leave it unable to meet spending plans.

Mr MacLeod said in his budget speech that the projected level of reserves would also have the additional advantage of demonstrating the colony's financial strength and prudence. "This should do much to reassure potential lenders at a time when we shall be financing our infrastructural development," he said.

His forecast for the level of reserves are based on 5 per cent real growth in the Hong Kong economy over the next five years.

It also presumes that inflation, as measured by the gross domestic product deflator (the broadest measure of inflation), will rise at an annual rate of 8.5 per cent during that period. Consumer price inflation is expected to rise at a faster rate.

The forecasts do not take into account any significant changes to the cost of the airport and related developments. Many of these projects are close to the limits of technology, and are planned on an extremely tight time scale. Some delays have already occurred. The government's capital spending and related equity commitments connected with the airport are likely to balloon from the 1993-94 fiscal year on.

This increase in capital spending will push the colony's public finances into deficit – the first time in years that the government will run a deficit not brought about by a downturn in the economic cycle.

On the capital side, the government is planning to spend HK$176.5bn, of which HK$44bn is attributable to the airport.

Corporation tax cut, Page 4

WORLDWIDE WEATHER

		°C	°F
Ajaccio	S	15	59
Algiers	F	17	63
Amsterdam	C	10	50
Athens	S	16	61
Bahrain	S	18	64
Bangkok	F	35	95
Barcelona	F	13	55
Beijing	F	5	41
Beirut		–	–
Belfast	F	10	50
Belgrade	S	17	63
Berlin	S	11	52
Biarritz	C	15	59
Bombay	S	31	88
Bordeaux	S	15	59
Boulogne	S	13	55
Brussels	C	12	54
Budapest	S	13	55
Buenos Aires	F	29	84
Cairo	C	18	64
Cape Town	C	30	86
Caracas	C	28	82
Casablanca	S	18	64
Chicago	S	2	36
Cologne	F	12	54
Copenhagen	F	10	50
Corfu	S	16	61
Dallas	F	16	61
Dublin	C	12	54
Dubrovnik		–	–
Edinburgh	C	10	50
Faro	R	12	54
Florence	S	17	63
Frankfurt	C	11	52
Geneva	S	11	52
Gibraltar	R	15	59
Glasgow	C	10	50
Helsinki	C	3	37
Hong Kong	C	18	64
Innsbruck	S	12	54
Inverness	R	13	55
Islamabad	F	22	72
Istanbul	S	[illegible]	[illegible]
Jakarta	R	30	86
Jersey	C	9	48
Johannesburg	S	19	66
Lima	F	28	82
Lisbon	S	14	57
London	S	12	54
Los Angeles	C	14	57
Luxembourg	C	10	50
Madeira	C	16	61
Madrid	F	11	52
Majorca	R	14	57
Malaga	F	16	61
Malta	S	15	63
Manchester	S	11	52
Manila	F	34	93
Melbourne	F	25	77
Mexico City		–	–
Miami	F	22	72
Milan	F	12	54
Montreal		–	–
Moscow	C	2	36
Munich	S	13	55
Nairobi	S	[illegible]	[illegible]
Naples	S	18	65
Nassau	F	26	79
New Delhi	S	24	75
New York	S	3	37
Nice	F	18	61
Nicosia	F	16	61
Oporto		–	–
Oslo	S	[illegible]	[illegible]
Paris	S	14	57
Prague		–	–
Reykjavik	F	4	39
Rhodes	S	17	63
Rio de Janeiro	C	27	81
Rome	S	[illegible]	[illegible]
Salzburg	S	[illegible]	[illegible]
San Francisco	C	[illegible]	[illegible]
Seoul	F	[illegible]	[illegible]
Singapore	F	[illegible]	[illegible]
Stockholm	F	[illegible]	[illegible]
Strasbourg	S	[illegible]	[illegible]
Sydney	F	[illegible]	[illegible]
Taipei	C	[illegible]	[illegible]
Tangier	C	[illegible]	[illegible]
Tel Aviv	F	[illegible]	[illegible]
Tenerife	F	[illegible]	[illegible]
Tokyo	S	[illegible]	[illegible]
Toronto	S	[illegible]	[illegible]
Tunis	F	[illegible]	[illegible]
Valencia	R	[illegible]	[illegible]
Venice	C	[illegible]	[illegible]
Vienna	S	[illegible]	[illegible]
Warsaw	C	[illegible]	[illegible]
Washington	F	[illegible]	[illegible]
Zurich	F	[illegible]	[illegible]

Temperatures at midday yesterday. C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

THE LEX COLUMN

BICC's cable from the contractors

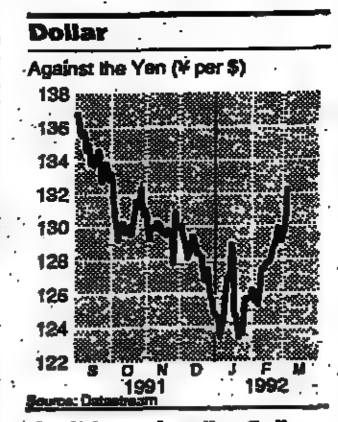
The Channel Tunnel is more than just a hole in the ground, judging by BICC's confirmation that the TML consortium lost £115m in 1991. The figure itself will have come as little surprise to the market, which is working on the not unreasonable assumption that the bitter claims dispute with Eurotunnel will end in the warring parties splitting the difference. What was more alarming yesterday was BICC's gloomy perception that there is still no solution in sight.

BICC shareholders, though, may wish to focus their attention on their company's rather less publicised property black hole. It may well be that the £30m provision for projects completed, or close to completion, turns out to be a conservative one, but the housing land bank and long-term Spitalfields scheme remain genuine worries for the longer term. BICC is not the first to have made a hash of property, but it is a sobering thought that net cash of £150m was invested in land and property development between 1987 and 1990.

Without it there would now be a lot more room for manoeuvre in the balance sheet, which is roughly 80 per cent geared if the convertible is treated as debt and off balance sheet loans with recourse to BICC are taken into account.

The immediate outlook is hardly exciting, given that the European cables business clearly weakened in last year's second half. BICC ought to be able to make £130m pre exceptionals in 1992, but it will be some time before the dividend is increased. At 323p the shares need their 8 per cent yield.

FT-SE Index: 2,558.4 (-7.0)



Cadbury Schweppes

The market appeared a little ungrateful in marking down shares in Cadbury Schweppes yesterday. Despite the recession, Cadbury's annual results were better than even last September's interim figures had hinted. Pre-tax profits rose by 13 per cent although sales were flat. Spending on marketing and advertising was increased to protect its brands, while a series of one-off provisions for management restructurings was easily absorbed. The group's financial position continued to improve; gearing at 40 per cent has fallen by a third since 1989. After capital spending, tax and dividends there was a cash inflow last year of more than £30m.

Given the performance of the typical UK company through this recession, it would be churlish to describe Cadbury as anything other than a class act. Old questions such as how the reliance on UK and Australasia for 60 per cent of trading profit can be reduced still carry some residual weight. The growth of its European operations is not as vigorous, particularly in confectionery, as management would perhaps have hoped, but the group is big enough these days to be patient.

The market may occasionally believe that Cadbury's earnings growth rate is too low to justify the premium rating of the shares, but the company is treated as something of a special case. The quality of its earnings and hopes of eventual takeover place the shares squarely in that select category which should only be sold in dire emergency.

GKN

GKN's principal argument for maintaining its dividend in the face of a 45 per cent drop in pre-tax profits appears to be that careful cash management during the recession has left its balance sheet in excellent shape. Gearing has dropped to 26 per cent from 32 per cent, thanks to a squeeze on both working capital and capital spending. Yet its total dividend payment for this year will consume nearly all the £55m reduction in working capital, while it is only 0.7 times covered by earnings per share.

That might matter less if there were any real prospect of recovery in the group's major markets in 1992. As it is, GKN itself scarcely expects any rise in European car production this year and when recovery eventually comes, it will bring with it a fresh demand for cash. Stocks will increase again, and the company will have to rebuild its hire stock which has been run down because of the recession.

Once investors have got over their relief at the maintained dividend, they might therefore ponder whether it made sense to mark the shares up by 6 per cent yesterday. Dividend cover is unlikely to return to its normal two-times before 1994. Any increase in payout is thus a long way off, although there may still be some support from a yield approaching 8 per cent.

Currencies

Surely the foreign exchange market is in danger of over doing its love affair with the dollar. The latest US indicators may point to recovery, but it is hard to see the economy roaring ahead to the point where short-term interest rates have to be raised in an election year. Thus, there seems little justification for extending the surge which took the dollar over DM1.67 and 132 yen in late European trading yesterday.

Some appreciation of the US currency was inevitable as the prospect of still lower US interest rates receded. It has been fuelled recently by a rise in Treasury bond yields which has restored their attraction to international investors. That could continue to underpin the dollar, but a further strong advance does not seem justified, at least against the D-Mark. The Bundesbank will hardly relish the inflationary impulse from a weak German currency.

The yen's case is different, not least because Japanese investors seem to have lost all faith in their own stock market. So the Bank of Japan will remain under pressure to cut interest rates. That is not the only reason why yesterday's intervention left the market unimpressed. Local institutions are covering short dollar positions ahead of the financial year-end. Last but not least, the yen is scarcely helped by the capital outflow going to redeem the plethora of equity-linked bonds launched in Europe in the mid-1980s.

Redland/Steetley

It is not often that a Spanish mayor becomes embroiled in a UK takeover battle, as seems to have happened in the row over Steetley's Spanish assets. Redland may have missed the target this time, but has points on the scoreboard after challenging the value of Steetley's French aggregates business, Gobitta. It looks like Steetley's final chance today.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday March 5 1992

INSIDE

Minolta to settle Honeywell dispute

Honeywell Minolta, the Japanese camera maker, has agreed to pay Honeywell, the US controls group, $127.5m to settle a long-running patents dispute – a move which could have serious repercussions for other Japanese camera companies. Page 15

Recession hits CRH

CRH, the international building materials group and one of Ireland's biggest companies, yesterday announced that pre-tax profits last year fell by a quarter from I£83.5m to I£62.6m ($100m). Page 21

CRA profits drop 26%

CRA, the Australian mining group, yesterday announced a 26 per cent decline in net profits to A$350m (US$263m) for 1991. The group – 49 per cent owned by RTZ of the UK – said the setback was caused by lower demand, falling metal prices and an increase in tax payments from 37 per cent to 49 per cent of gross profits. Page 16

Cadbury Schweppes rises 13%

Cadbury Schweppes, the confectionery and soft drinks manufacturer, increased pre-tax profits by 13.2 per cent to £316.4m ($546m) last year, in spite of sluggish or declining sales in some important markets. Sir Graham Day, chairman (left), said the results marked "a record year in every single respect" reflected firm cost controls and continued high levels of investment to improve efficiency. Page 20

Hard-nosed pension fighter

Don't be fooled. The Pension Benefit Guaranty Corporation may sound like a well-intentioned body but it has a reputation of being one of the most controversial and hard-nosed players in the US bankruptcy process. But the Federal agency's task has not been easy of late. According to its latest annual report, total underfunding in the pension schemes it guarantees has reached a staggering $40bn. Some pessimists are describing it as another thrift industry crisis in the making. Page 15

UK buys less N Zealand lamb

Britain's role as the dominant buyer of New Zealand lamb was eroded further last year. In 1975 Britain took about 90 per cent of New Zealand lamb but this fell to less than 30 per cent last year with further falls predicted. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Hapag Lloyd	565	+	10
Gerresheimer	380	+	5
Mannheim Vers	805	+	10
Varta	322	+	4.5
Falls			
Schering	868	−	20
Sud Chemie	555	−	5

NEW YORK ($)			
Rises			
Puget Sound	53⅜	+	3⅛
Falls			
Blockbuster	13⅛	−	⅛
Glaxo	27⅝	−	⅝
Immulogic Pharm	16¾	−	2½
Merck	150½	−	3⅜
Pfizer	73⅞	−	1

New York prices at 12.30.

PARIS (FFr)			
Rises			
Beghin-Say	840	+	19
Dollfus Mieg	315	+	12
Imetal	335	+	10
Lyon de France	849	+	33
Falls			
Elf-Aquitaine	374.7	−	10.3
Sp Batignolles	330	−	17

TOKYO (Yen)			
Rises			
Clarion	1340	+	119
Dainippon Pharm	2030	+	220
Mochida Pharm	4180	+	500
Yahagi Iron	324	+	28
Falls			
Kinmon Mfg	950	−	80
Tokyo Rope	830	−	71

LONDON (Pence)			
Rises			
ADT	523	+	26
Alex Hldgs A	14	+	4
BICC	[illegible]	+	12
CMB Packaging	1938	+	40
Domestic & Gen	960	+	20
GKN	352	+	20
INSTEM	101	+	8
Ingham	115	+	16
Intercare	147	+	10
Metal Bulletin	203	+	10
Quicks Group	65	+	4
StainlessMetal	30	+	5
Transfer Tech	430	+	43
Victaulic	786	+	[illegible]
Falls			
Dalepak Foods	393	−	25
Electrn Data	413	−	22
Galliford	69	−	5
Haggas (J)	102	−	7
High-Point	225	−	40
MTM	194	−	14
Pakmerston	52	−	6
Reuters	1188	−	39
Water City Lon	69	−	6
Young Group	34	−	5

SBC rises 24% despite bad loans

By Ian Rodger in Basle

SWISS BANK Corporation (SBC), the country's second largest bank, increased 1991 consolidated net profits by 24.7 per cent to SFr1.03bn ($690m), in spite of soaring provisions for bad debts.

Mr Walter Frehner, chief executive, said that the SBC group outperformed its own targets last year and he was optimistic about achieving further growth this year.

"If our provisioning needs are, as expected, lower than in 1991, our ambitious goals could be well within reach," Mr Frehner said.

Gross operating income jumped 49 per cent to SFr2.8bn but provisions for bad loans, including SFr211m against a SFr330m exposure to companies formerly led by the late Mr Robert Maxwell, increased 81 per cent to SFr1.5bn.

The high level of bad loans in the UK and in the US, where SBC has a large property loan portfolio, depressed the contribution of foreign subsidiaries to group net profit to only 2 per cent.

Net interest earnings were up 10.4 per cent to SFr2.9bn and commission income gained 14.6 per cent to SFr1.7bn, mainly as a result of fees from portfolio management operations.

Income from financial operations and trading soared 123 per cent to SFr1.5bn largely because of the strengthening of the group's derivatives business.

Mr Frehner said SBC's share of profits from its joint venture with The O'Connor Partnerships of Chicago was SFr107m, well ahead of expectations.

Total assets of the SBC group rose 8.5 per cent to SFr207bn, with two thirds of the growth arising from the consolidation of Banca della Svizzera Italiana (BSI), in which SBC now has a 58 per cent stake.

Published capital and reserves rose 4 per cent to SFr12.5bn. Mr Frehner said there was no justification for Moody's, the credit rating agency, to downgrade SBC's long-term debt from its triple A rating.

Moody's put SBC on its watch list in January at the same time as it removed its triple A rating from Crédit Suisse, Switzerland's third largest bank.

● BSI is to become the core of a new subsidiary within SBC to specialise in private banking.

SBC will sell four of its Swiss private banking subsidiaries to BSI and will take over the business of BSI's commercial branches outside of the Italian area of Switzerland.

The new bank, to be called SBSI Holding, will have total assets of about SFr8.1bn and funds under management of about SFr33bn.

Shares in GKN rise despite profit fall

By John Griffiths in London

SHARES in GKN, the UK motor components, industrial services and defence group, jumped by 20p to 352p yesterday in spite of a 44.7 per cent drop in pre-tax profits last year and a warning of job losses to come.

Reduced borrowings, a maintained dividend and chairman Sir David Lees' depiction of GKN as having costs under control and ready to take full advantage of market upturns were seen as the main offsets to pre-tax profits falling to £95m ($167.20m) from £172m.

Sales were down 6.3 per cent, to £2.43bn from £2.59bn.

Sir David said: "Although the immediate future in terms of demand does not give grounds for much optimism, the resilience of the group does."

He disclosed that all but £1m of £16.2m spent on restructuring last year had gone into redundancies, with 1,700 of the 2,850 jobs lost concentrated in the UK.

However, he forecast that redundancy costs this year would drop to around £5m. Following last year's shake-out the group employs 30,000 worldwide, about 18,000 overseas.

About 52 per cent of GKN's turnover is in cars, commercial vehicles and engineering products, the trading surplus on which fell to £60m from £90m.

GKN expects its £90m supplies to the Japanese in 1991 to rise to more than £100m this year.

The group's other main activity, industrial services and distribution which account for 29 per cent of sales, also saw a sharp drop in trading surplus, to £35m from £59m, largely due to deterioration in the UK, US and Australian construction markets.

The contribution made by associated companies fell by more than 50 per cent, to £28.5m from £57.9m, almost wholly due to problems encountered by United Engineering Steels (US).

Group trading profit was £95.4m, down from £149.3m. Net borrowings fell £45m to £175m, reducing the group's gearing to 26.4 per cent from 32.3 per cent, the lowest for 15 years. There was a net cash inflow of £59m, against an outflow of £9m.

The tax charge fell to £41.3m from £60.2m. Net earnings after minority interests of £17m (against £18.7m) were £36.7m (against £93.1m), reflecting the absence of £48.8m 1990 extraordinaries. Earnings per share were 14.2p against 36.1p in 1990. The final dividend of 12.5p left the total dividend for the year unchanged at 20.5p.

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Richard Gourlay on Medeva's two-year growth into the world's fifth largest vaccine maker

Building a dream on drug marketing

Two years ago Mr Ian Gowrie-Smith scribbled a mission statement on a table napkin over lunch with financiers from Credit Lyonnais; before the end of the century he would build an FTSE-100 pharmaceutical company.

At the time Medeva, the vehicle for this dream, had still to shed the image of being a speculative stock losing money in its search for a cancer cure; it was out of favour with the City of London and its shares languished at half the price of a heavily under-subscribed 16-for-5 rights issue.

Today, Medeva is the world's fifth largest vaccine maker and the UK's largest unbranded generic pharmaceuticals manufacturer.

Mr Gowrie-Smith, managing director, has put together a team of pharmaceutical executives led by Mr Bernard Taylor, former chief executive of Glaxo, that includes Mr William Gerard, former chief executive of Hoffman La Roche UK. In 1991, Medeva is expected to have made £15m ($26m) profits from sales of £80m and the share price has already risen this year by a third to close at 297p yesterday, a multiple of 34 times 1991 earnings.

What is unique in the UK about Medeva is its attempt to become a significant pharmaceuticals force without the kind of research and development programmes undertaken by drug companies such as Glaxo and SmithKline Beecham.

Its approach is to buy portfolios of drugs, or whole divisions from larger companies – Medeva's purchase in January of 30 drugs from Glaxo is the latest example. Medeva then re-markets the drugs, boosts prices and develops or improves their delivery system.

This marketing-led formula is well-tried in the US by companies such as Ivax and Forest Laboratories. Ivax was the second best performer on the US stock exchange last year. Yet some analysts wonder whether Medeva can sustain growth by simply buying and developing larger companies' older product lines.

The larger Medeva becomes, they say, the more difficult it will be to find portfolios of drugs large enough to have earnings impact but small enough for the likes of Glaxo to be willing to sell. Medeva would increasingly need to rely on organic growth from its acquired products and that record is relatively untested.

> Medeva's future depends on sound judgments about acquisitions

Medeva's future depends to a large extent on the management continuing to make sound judgments about what drugs and companies to acquire. Many analysts believe the Gowrie-Smith/Taylor team can easily run a company with market capitalisation substantially larger than Medeva's £580m.

But Medeva's longer-term strategy to exploit international markets and develop its own products is more troublesome. Mr Gowrie-Smith admits international growth will be hindered by national regulations and will not fuel rapid earnings growth for Medeva over the next two years.

Medium-term growth, he argues, will come from the development of its own products – for example, Medeva acquired the intellectual copyright of an oral cholera and typhoid vaccine from Wellcome and Mr Gowrie-Smith says this drug could be registered and in the market in two years.

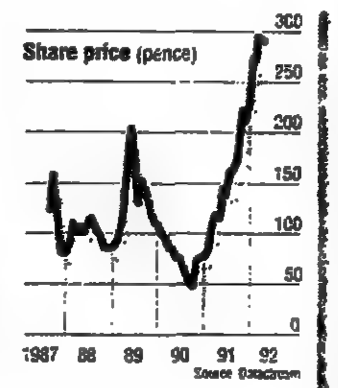
This strategy moves Medeva and its small research team into relatively uncharted territory. Mr Taylor heads a team that in pharmaceuticals terms is more experienced than when Medeva's predecessor, Medirace, tried and failed to develop Contracan, the cancer cure. Mr Gowrie-Smith accepts Medeva is still building its drug development expertise; he says the company will simply have to buy it as part of its acquisition programme.

Medeva's supporters argue that the company's strategy is as valid now as when it bought Evans Medical, a maker and distributor of vaccines and generic pharmaceuticals, in 1990. The purchase turned the company from a speculative drug developer into a drug manufacturing company with an earnings stream. The purchase appeared all the more inspired last year when Contracan was withdrawn from trials, after the US National Cancer Institute said it demonstrated too little activity to justify further development.

The Evans acquisition also persuaded Mr Taylor to join Medeva. Replaced as the chief executive of Glaxo by Dr Ernest Mario, Mr Taylor saw Medeva as a vehicle to exploit opportunities too small for the large Glaxo.

MEDEVA

Ian Gowrie-Smith   Bernard Taylor



Group history

DATE	EVENT	VALUE
Jul 1987	Quoted on Third Market as Medirace	
Jan 1990	Acquisition of Evans Healthcare	£85.4m
Jan 1990	Change of name to Medeva PLC	
Jun 1990	Acquisition of Macralax & Coracten from SmithKline Beecham	£2.4m cash
Sep 1990	Disposal of Evans' OTC Products	£18.5m cash
Sep 1990	Acquisition of Thomas Kerfoot	£20m
Feb 1991	Acquisition of Wellcome vaccines	£20m
Jun 1991	Acquisition of MD Pharmaceuticals	$77m
Oct 1991	Acquisition of Adams Labs	$77m

Also in 1990, Medeva bought Thomas Kerfoot, a bulk unbranded pharmaceuticals producer. Generic pharmaceuticals are the least rewarding of Medeva's divisions because of intense competition. But had Medeva not made this defensive acquisition it would now be facing a large cash drain, says Mr Gowrie-Smith.

Adding Wellcome's vaccine portfolio in 1991 gave Medeva half the UK's vaccine market by value; MD Pharmaceuticals of California, bought last May for $77m, added methylphenidate, an anti-obesity drug. Then last October, Medeva spent another $77m on Adams Laboratories, a producer of of branded generic respiratory drugs.

The strategy, the quick purchases and Medeva's promise of big paper-financed deals in the next two years has quickened investors' pulses.

Yet a a few think Medeva has arrived too late; the US biotechnology and healthcare stock bubble, on which companies such as Ivax rose, may be about to burst. If it does, US institutional disenchantment might spill over into Medeva. There again, Medeva may by that time have used its paper to make another acquisition, taking the company a step closer to FTSE-100 status.

BICC announces provisions on Channel tunnel losses

By Andrew Taylor and Jane Fuller in London and William Dawkins in Paris

BICC yesterday became the first British contractor to announce provisions to cover potential losses on the Channel tunnel project which has risen in cost since 1987 from £4.7bn ($8.27bn) to more than £8bn.

The group said it had made a provision of £12m against work already completed. The amounts were, however, covered by claims against Eurotunnel.

Contractors are claiming more than £1bn at 1985 prices to cover the increased costs of building, whether completed or still outstanding. They say costs have risen because of design changes introduced by Eurotunnel.

Mr Robin Biggam, BICC's chairman, yesterday described the negotiations between the contractors and Eurotunnel as "frosty". The talks, which had appeared to be making progress before Christmas, have slowed down in recent weeks. Contractors say that by mid-summer they will have insufficient cash flow to carry on with construction. Transmanche Link (TML), a consortium of five British and five French companies contracted to design and build the project, have threatened to halt work unless they are paid sufficient to cover at least the cost of the works.

BICC's provision is in line with its 10 per cent stake in TML which made a total provision of £115m in its accounts for last year to cover work so far. Other British members of the consortium – Costain, Wimpey, Tarmac and Taylor Woodrow – are expected to reveal similar provisions in their annual results in the next few weeks.

None of the five French construction companies in TML has identified provisions for tunnel losses. However, Bouygues, Lyonnaise des Eaux Dumez, Spie Batignolles, SGE and SAE have privately indicated to stockbroking analysts that they have provided for between £13m and £15m each for last year.

> BICC, the UK-based cables and construction group, suffered a 56 per cent fall in pre-tax profit to £81m ($142m) last year after write-downs and provisions, writes Jane Fuller in London.
>
> The group allocated £12m to its share of provisional losses incurred last year by Transmanche Link.
>
> Details, Page 14
> Lex, Page 12
> Observer, Page 10

BSN bid for Exor gets go-ahead

By Alice Rawsthorn in Paris

BSN, the French food group, yesterday received the go-ahead from the Paris stock market authorities for its FFr6bn ($1.07bn) hostile bid for Exor, the French property company that controls Perrier mineral water.

The BSN bid, unveiled in late February, offers FFr1,420 a share for Exor. It is a counter-bid against the FFr1,320 a share offered late last year by Ifint, a company controlled by the Agnelli family of Italy, once considered an ally of BSN.

BSN has joined forces with Nestlé, the Swiss food group, against the Agnellis in the battle for Perrier. Nestlé is waiting to hear the results of French court cases which will be critical in determining the course of its FFr13.42bn hostile bid for Perrier.

Last week Exor and its allies, which include Saint Louis, the French sugar company, complied with a French stock market authority ruling by tabling a full bid for Perrier. The Exor camp, which controls nearly 49 per cent of the mineral water company, made an unconditional offer of FFr1,475 a share, the same as offered by Nestlé.

The Exor camp is fighting Nestlé's attempt in the courts to freeze the voting rights on Exor's Perrier shares and to annul the recent sale of 13.8 per cent of Perrier to Saint Louis. The French police are now investigating suspected irregularities, including insider trading, in the Saint Louis share sale.

Perrier's shares returned to trading yesterday after a period of suspension and rose from FFr1,517 to FFr1,531 The shares initially jumped to FFr1,550. Perrier is still trading above the FFr1,475 a share offered by Nestlé and Exor.

Exor's shares fell from FFr1,495 to FFr1,480 when they resumed trading after being suspended on the eve of BSN's counter-bid. This leaves Exor trading above the prices offered by both bidders.

Perrier's main trade unions yesterday offered to meet with Nestlé to discuss employment levels and working conditions should its bid succeed.

● The French state-controlled electronics and defence group Thomson-CSF is to merge its computer maintenance and services activities into one unit, which will have annual sales of FFr1.2bn. The company will merge Spectral MIS, a computer maintenance firm it acquired in October 1991, with Thomainfor, a wholly-owned subsidiary.

INTERNATIONAL COMPANIES AND FINANCE

UK cable and building group falls 56% to £81m

By Jane Fuller in London

BICC, the UK-based cables and construction group, suffered a 56 per cent fall in pre-tax profit to £81m ($142m) last year after property development write-downs and provisions for losses on the Channel tunnel contract.

Exceptional charges amounted to £42m, of which £30m was attributed to property development and £12m to BICC's share of provisional losses incurred last year by Transmanche Link, a consortium of British and French companies building the tunnel.

BICC's operating profit fell by 31 per cent to £146m from £212m on turnover of £3.79bn, down from £3.89bn. Mr Robin Biggam, chairman, said the profit decline included £17m of rationalisation costs. This covered about 2,500 job losses in manufacturing worldwide and several hundred more in Balfour Beatty, the group's construction arm.

The North American cables business slid to £3m losses, from a £26m profit. Mr Biggam described this as "the biggest single disappointment".

BICC Cables remained the largest profit contributor with £91m, down from £110m. It experienced weak second-half demand for telecoms cabling from BT in the UK and Telefonica in Spain. As it had recently increased its stake in Grupo Español General Cable (GEGC) to 55 per cent and acquired a German company, continental sales would account for half the divisional total this year.

Balfour Beatty improved its profit to £38m from £35m on turnover of £1.9bn, up from £1.78bn as civil and power engineering contracts, including overseas work, offset the downturn in UK building. Balfour was hit by losses in a contract car and van hire business, which is to be sold.

In Australasia, profit fell to £26m from £33m. Factory rationalisation had been completed, electrical wholesaling recovered to break even and a decision had been made to get out of construction.

Earnings per share fell to 10.7p from 40.2p.

Mr Biggam said one highlight was the generation of £40m cash by the core operations, before a £57m outflow to fund property developments. Off-balance sheet debt had been reduced from £255m to less than £200m.

On the balance sheet, net borrowings of £35m replaced £2m cash. The group has issued £177m of convertible capital bonds and will this year take on £100m of GEGC's debt, leaving a total of about £150m off balance sheet.

An extraordinary charge of £26m was made for losses on businesses being sold.

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IRI unit sells 7.1% of Elsag Bailey

By Haig Simonian in Milan

FINMECCANICA, the holding company which controls the engineering interests of Italy's IRI state holding group, has sold 7.1 per cent of its Elsag Bailey subsidiary to a group of foreign investors including Crédit Lyonnais and Mercury Asset Management (MAM).

Elsag Bailey, a precision engineering group with 1990 sales of L1,353bn ($1.09bn), was floated on the stock exchange last July. The latest deal will reduce the IRI group's stake in the company to around 72 per cent from 79 per cent after the flotation, if warrants are fully exercised.

Elsag Bailey, based in Genova, had net profits of L26.5bn in 1990, the latest year for which figures are available. The company specialises in continuous process control automation equipment, and on machinery for automating services such as letter sorting.

Crédit Lyonnais has bought a 4 per cent holding through its Clinvest subsidiary, while MAM's stake has not been disclosed.

The deals, which were co-ordinated by Wasserstein Perella the US investment bank, took place on the Italian block market at L4,625 a share. Elsag Bailey's shares were fixed in Milan at L4,650 yesterday.

Like much of the IRI group, Finmeccanica has been facing a growing financial squeeze owing to heavy investment commitments at a time of sharply-reduced government funding recently.

Elsag Bailey itself has grown rapidly of late through a series of acquisitions, notably in the US. However, its gearing has also risen sharply, and the latest deal, which Finmeccanica said was with "long-term" investors, should raise around L30bn.

● Milan-based building entrepreneur Mr Salvatore Ligresti has acquired a 5 per cent stake in German tyremaker Continental for DM110m, according to German press reports.

Christiania Bank turns in huge loss

By Karen Fossli in Oslo

CHRISTIANIA Bank, Norway's second biggest bank, yesterday announced huge losses for 1991 and confirmed that it needed NKr2.5bn ($385m) in fresh core capital to meet capital adequacy requirements.

Christiania's accounts for 1991 show net losses of NKr9.17bn, against NKr1.85bn previously. This follows an increase in loan losses to NKr5.99bn from NKr2.68bn. It warned of further net losses this year.

Operating losses last year swelled to NKr7.96bn from NKr1.79bn. There was a charge of NKr2.266bn for losses and write-downs on sales of fixed assets, against NKr307m in 1990.

Christiania suffered a NKr359m loss on securities trading versus a NKr65m gain in 1990. The bank saw net interest income fall by NKr592m to NKr2.65bn. Non-interest income declined by NKr437m to NKr1.12bn.

The bank reduced it staffing levels by 1,000 to 4,511 during the year and operating costs were trimmed by NKr134m to NKr3.48bn.

A provision of NKr1.173bn was made to the bank's loan loss reserve fund, increasing it to NKr2.8bn at the end of 1991.

"Although substantial loan loss provisions were made in 1991 for non-performing loans and especially loss exposed loans there is perceived to be, based on experience, considerable risk in other parts of the loan portfolio," Christiania said.

Non-performing loans increased to NKr13.8bn by the end of last year, or 15.8 per cent of total loans, from NKr9.9bn at the end of 1990.

Borger Lenth: forecast possible profit in 1992

At end-1991 Christiania met the domestic capital adequacy requirement of 4 per cent of risk-weighted balance sheet items after receiving NKr7.86bn in state cash.

Mr Borger Lenth, Christiania's president, forecast that the bank could achieve a profit, before credit losses, in 1992 but Mr Per Ditlev-Simonsen, chairman, said that Christiania would post a net loss for 1992.

Mr Sigbjoern Johnsen, the finance minister, said that fresh cash transfers to the state-backed Bank Insurance Fund (BIF) would be discussed by the government in April in connection with the 1992 revised budget.

The fund, which acts as a safety net to support the banks and which received a state injection of NKR11bn last year, has been drained to around NKr550m by heavy claims.

Nordbanken in SKr5.8bn deficit

By John Burton in Stockholm

NORDBANKEN, the Swedish state-controlled bank, yesterday reported an earnings loss of SKr5.8bn ($966m) for 1991 as credit losses and provisions climbed to SKr10.5bn.

The Nordbanken results coincided with an announcement from the Swedish Bank Inspection Board that total credit losses for the country's financial institutions reached SKr48.1bn in 1991, almost triple the 1990 figure of SKr17.8bn, mainly due to falling property values.

Banks accounted for SKr35.6bn of these losses, while finance companies lost SKr9.9bn. The banks' credit losses amounted to 2.9 per cent of their total lending volume in 1991 against 1.2 per cent in 1990.

The agency predicted that credit losses would also be large this year because of the recession. But it added that the financial system was stable since the banks had reserves of SKr120bn and most benefited from income growth.

Nordbanken, which made a profit of SKr855m in 1990, has fared worst among the big Swedish banks in 1991 with the collapse of several large property and finance companies that borrowed heavily from the bank.

Its loan loss-provisions more than doubled from the 1990 figure of SKr4.2bn and these credit losses accounted for 3.9 per cent of total lending volume.

The bank was also forced to write off goodwill of SKr3.1bn from its 1989 merger with PKbanken that made it Sweden's second largest bank.

Nordbanken's profit before provisions also fell by 9 per cent to SKr4.66bn, although several of its competitors, including Skandinaviska Enskilda Banken, have reported increases in pre-loss earnings.

The bank blamed the lower profits on a 7 per cent fall in interest income to SKr8.5bn, reflecting an increase in the amount of non-performing loans, which grew SKr8.9bn to SKr19.3bn over the past year. But Nordbanken managed to stabilise costs at SKr6.7bn, the same amount as in 1990.

The bank's capital asset ratio increased from 7.6 per cent to 9.2 per cent after the government subscribed to a SKr5.2bn share issue in December.

A shrinkage in the bank's assets to SKr339bn from SKr407bn was another reason for the improvement in the capital asset ratio, which now exceeds the 8 per cent level established by the Bank of International Settlements for the end of 1992.

Norske Skog loses French mill's permit

NORSKE Skogindustrier, one of Norway's biggest pulp and paper producers, may be forced to close Papeteries de Golbey, a French newsprint mill, on environmental grounds, writes Karen Fossli.

The local authorities in Nancy have withdrawn the company's permit for emissions dispensation, said Norske Skog, which has a 49 per cent stake in the plant. Papeteries was opened last December and Norske Skog has invested NKr3bn in it.

The other main shareholder is E. Holzman, the German company, with 35 per cent. Christiania Bank and Fokus Bank, two of Norway's three biggest banks, each own a 2 per cent stake.

Norske Skog said that the mill was not being closed down because of current emissions violations. He explained that the permit was withdrawn because French environmental organisations claimed that insufficient impact studies were undertaken by the company in order to secure the emissions dispensation permit.

Mr Tingstad said that the company had spent NKr400m on emissions reduction equipment and that it was seeking a temporary emissions dispensation permit.

Daimler-Benz forms specialist electronics unit

DAIMLER-BENZ, Germany's largest company, has signalled an important reorganisation of its electronics activities by carving a new microelectronics company out of two subsidiaries, AEG and Deutsche Aerospace, writes Leslie Colitt in Berlin.

The new unit, to be set up in July, was said by DB to mark an important step in its transition from car producer to integrated technology concern. The goal was to concentrate similar technologies within the multi-faceted group.

Mr Ernst G. Stöckl, AEG chairman, and Mr Jürgen E. Schrempp, chairman of Deutsche Aerospace, said it would also help substitute future-oriented civilian activities for declining defence sales.

The company will produce everything from semiconductors to sensors, hybrids and complete systems.

The as yet unnamed new company is expected to have sales this year of about DM2.4bn ($1.4bn) and 16,500 employees.

Chief executive to stay on for two further years

By Andrew Fisher in Frankfurt

MR Edzard Reuter, the chief executive of Daimler-Benz, the German vehicle, aerospace, and electronics concern, will stay on for two more years after reaching the normal retirement age next year.

Daimler has followed the example of Volkswagen, which extended Mr Carl Hahn's period in the top job by two years until the end of 1993. Daimler's supervisory board, headed by Mr Hilmar Kopper, chief executive of Deutsche Bank, decided yesterday Mr Reuter's contract should be extended until the end of 1995.

Mr Reuter, 64, became chief executive in 1987, succeeding Mr Werner Breitschwerdt who was ousted after Daimler had suffered poor publicity over car production problems and was still striving to absorb its new acquisitions – AEG (electronics), Dornier (aerospace), and MTU (engines). It has since bought Messerschmitt-Bölkow-Blohm to extend its aerospace business, now grouped into Deutsche Aerospace (Dasa).

Unlike Mr Breitschwerdt, the articulate Mr Reuter was one of the architects of Daimler's diversification, believing other activities were needed for a time when the car and truck markets reached possible stagnation. Supporting Mr Reuter was Mr Werner Niefer, deputy chief executive of Daimler and head of its Mercedes-Benz vehicle subsidiary.

Mr Niefer, 63, who joined Daimler as a toolmaking apprentice, will remain as Mr Reuter's deputy until May, 1993, after 50 years with the company. He will then also step down as chief executive of Mercedes to be succeeded by Mr Helmut Werner, the former head of Continental tyres.

Both Mr Werner and Mr Jürgen Schrempp, 47, who heads Dasa, are regarded as strong candidates to succeed Mr Reuter as the chief executive of Daimler after 1995. Mr Werner, 55, heads Mercedes' truck operation and has moved it into profit by curbing costs and lifting productivity. Rising domestic demand, helped by unification, has also benefited sales.

Rights issue follows DFDS profits rise

DFDS, the Danish shipping and transport group, plans a rights issue after increasing pre-tax profits to DKr149m ($23m) from DKr109m last year, writes Hilary Barnes in Copenhagen.

The proposed share issue, which will be launched this spring, will raise around DKr370m in present stock market conditions.

Group sales rose to DKr5.32bn from DKr5.04bn. The profit after financial items was up to DKr150m from DKr110m. An unchanged dividend of DKr60 per share is to be paid.

Recession in the UK and Sweden meant that earnings by Scandinavian Seaways, the passenger shipping division, were little changed despite a 6 per cent climb in the number of passengers. However, the transport division turned in an improved performance.

Minolta settles with Honeywell for $127.5m

By Martin Dickson in New York and Robert Thomson in Tokyo

MINOLTA, the Japanese camera manufacturer, yesterday agreed to pay Honeywell, the US controls group, $127.5m to settle a long-running patents dispute – a move which could have serious repercussions for other Japanese camera companies.

The settlement follows a $96m award to Honeywell last month by a jury in a New Jersey federal court, which ruled that Minolta had infringed a Honeywell patent on camera auto-focusing technology, although not wilfully.

Honeywell said at the time that the award would allow it to put pressure on 15 other Japanese camera companies with which it is in dispute over auto-focus technology.

Minolta had been widely expected to appeal against the jury's ruling, delaying a final settlement for a year or more.

However, it said yesterday it would pay $127.5m to settle the lawsuit, including Honeywell's claims for interest, and for a fully paid-up world licence to manufacture and sell its products under all the relevant Honeywell patents.

Mr Sam Kusumoto, chairman of the group's US subsidiary, said: "Reaching a decision to settle was not an easy one. However, we believe that eliminating the cost and distraction of prolonged litigation is in the best interests of our 2,900 US employees, as well as tens of thousands of Minolta dealers who have supported us in this dispute."

Japanese camera-makers were surprised at the speed of the agreement, which sets an unwelcome precedent for them and for some electronics companies who fear their video camera equipment could be a target for complaint from Honeywell.

Several Japanese makers, including Canon and Asahi Optical, say they have been gathering technical information in expectation of negotiations with the US company, while Nikon, another leading maker, has argued that it had developed its own technology and would not be affected by the case.

It is unclear how many of the 15 makers targeted by Honeywell will agree to settle out of court, but the makers have feared that the US company could take action to limit their US sales of related equipment.

Operating loss at TWA grows to $353.5m

By Nikki Tait

TRANS World Airlines, the US carrier owned by Mr Carl Icahn and in Chapter 11 bankruptcy proceedings, suffered an operating loss of $353.5m in 1991.

This compared with a $162.8m deficit in the same period a year earlier, and a small profit of $24.3m in 1989.

The 1991 figure came on revenues down from $4.6bn to $3.66bn.

TWA sold a number of assets during the year and these included leading routes between three US cities and London's Heathrow airport – which were acquired by American Airlines.

Most of TWA's operating expense items were lower year-on-year, including fuel, which fell from $898.4m in 1990 to $647.7m.

However, the overall slump in revenues outweighed the reduction in total operating costs, from $4.77bn to $4.01bn.

At the after-tax level, the operating loss is transformed into a small net profit of $48.3m, thanks largely to the $681.7m gain on asset sales. Interest expenses were $287m, against $302.8m.

Capitol files suit against Blockbuster

By Nikki Tait in New York

A LEGAL rumpus broke out yesterday between Blockbuster Entertainment, the Florida-based video rental chain which recently acquired the Cityvision group in the UK, and one of its US franchisees, Capitol Entertainment.

Capitol, which is largely owned by the Zale jewellery store family, filed a civil complaint in the Dallas courts, alleging Blockbuster deceived it when it purchased the Erol's Video Store chain last year.

It is claiming $40m in actual damages and $100m in punitive damages.

Blockbuster dismissed the suit as "without merit," although its shares eased $⅛ to $13⅞ on the news.

At the time of its purchase by Blockbuster, Erol had around 200 outlets. Some of these were based in the Capitol franchise areas of Northern Virginia and Maryland.

Capitol, ranking as the seventh largest Blockbuster franchisee, alleges the larger group promised not to acquire Erol until it had deals to sell Capitol the Erol stores in its territories.

It contends Blockbuster went ahead with the Erol purchase regardless of this and then offered to sell the relevant stores "on only the most onerous and difficult terms".

Blockbuster then went to operate these stores, claims the suit, devoting a disproportionate share of advertising funds to Erol.

Blockbuster said yesterday it currently operated around 100 of the former Erol stores, although it added some were sold on to franchisees other than Capitol. Blockbuster added that it believed the operation of the former Erol stores was within its rights under the agreement with Capitol, and the suits would be vigorously defended.

Capitol also won a temporary restraining order preventing Blockbuster from terminating its franchisee deals with Capitol, opening new stores in the Capitol territory, or expanding, remodeling or relocating Erol stores acquired there.

Pension agency proves a hard-nosed player

Nikki Tait looks at the court-room battles brought about by underfunding

WHEN LTV, the large but bankrupt US steelmaker, unveiled its long-awaited reorganisation plan earlier this month, the first applause came from a seemingly obscure direction. Jolly good, said the Pension Benefit Guaranty Corporation.

Don't be fooled. The PBGC may sound like a well-intentioned quango, but it is frequently one of the most controversial, and hard-nosed, players in the US bankruptcy process – and never more so than in the six-year-old battle over LTV's carcass.

This federal agency has no real counterpart in the UK. It was created in 1974 by the Employee Retirement Income Security Act (Erisa), and its title accurately describes its mandate: to guarantee the payment of basic retirement benefits.

In practice, the PBGC – technically, part of the US Labour Department – does this by insuring most private employee pension plans and collecting premiums from employers to fund its efforts. Over 40m American workers, in around 85,000 pension plans, are covered by PBGC insurance.

But the agency's task has not been easy of late. According to the 1991 annual report, released last month, total underfunding in plans guaranteed by the PBGC has reached a staggering $40bn. Is this, pessimists mutter darkly, another thrift industry crisis in the making?

Well, perhaps not quite. Calculations of underfunding depend on actuarial assumptions, and there is some political incentive for the PBGC to paint a gloomy picture.

Nevertheless, the agency's losses in recent years have been significant: the accumulated deficit in the main "single-employer" programme topped $2.5bn at end-1991, while PBGC itself reported a net $542m loss for 1991, after investment income.

Obviously, this dismal state of affairs is linked directly to corporate America's parlous finances. Subject to some complex rules, PBGC's guarantees are triggered when either an employer or the agency itself "terminates" a pension plan.

If it is underfunded, the PBGC becomes a trustee for the plan and, while paying out something between the basic and maximum benefit levels, fights to recover whatever monies it can.

Not surprisingly, the most high-profile terminations involving "underfunded" plans have occured in bankruptcies.

At Eastern Airlines, for example, where seven pension plans were terminated in October 1990, the PBGC estimated the underfunding at around $700m.

At Pan Am – where the PBGC itself moved to terminate two of the three plans last July – the agency calculated a $914m deficit. At LTV, the unfunded pension obligations are put at $3.1bn.

So how has the federal agency – whose own internal auditing procedures were subject to criticism two years ago – reacted to the mounting challenge? Part of the answer lies in higher employers' premiums.

But, on a second front, the PBGC has also been involved in fisticuffs in the courts as it tries to maximise the return from reorganisation plans hammered out between bankrupts and their numerous creditors.

It is in this context that LTV has become a landmark case. The steel-based conglomerate had four pension plans – one of which ran out of money shortly after the bankruptcy filing in 1986, forcing the PBGC to take it over. The others were terminated in early 1987.

Since then, the agency has been trying to push responsibility for the latter trio of plans back on to LTV, and the US Supreme Court, no less, has weighed in, in support.

In practice, the upshot at LTV looks likely to be a deal, whereby the company takes back the three plans and makes an immediate cash injection of around $1.5bn. The steelmaker will then make up the pension shortfall over a 30-year period.

Frank Lorenzo: chairman of Continental Airlines

The PBGC, meanwhile, will receive 30-year zero coupon notes to help satisfy a $700m claim for underfunding in the fourth plan.

The agency's enthusiasm for a reorganisation along these lines is understandable. Assuming the scheme goes through as filed – and this may depend on union concessions – LTV's unsecured creditors will end up with only a small portion of their claims, satisfied largely in common stock.

But if LTV is ending in victory for the PBGC, new battles are looming.

The pension scheme at Trans World Airlines, the ailing carrier which is owned by Mr Carl Icahn and which filed for bankruptcy in January, is reckoned by the agency to be underfunded to the tune of $933m. Of this, $440m refers to guaranteed benefits.

Because Mr Icahn owns over 80 per cent of TWA's equity, his other private companies (some of which are more healthy) are deemed to be jointly and severally liable for the TWA pension plans.

However, for most of last year it looked as if an outline reorganisation plan at TWA would cut Mr Icahn's stake to a minority interest, and that the PBGC would thus lose recourse to the businessman's other interests.

Then, with remarkably little publicity, the Missouri senator Mr John Danforth introduced an Erisa amendment which was quietly enacted late in 1991. This would preserve the contingent liability of other Icahn-controlled companies for TWA's pension plans, even if the tycoon's ownership interest in TWA fell.

Even now, the struggle is not over. For a start, the PBGC is trying to ensure that proceeds from any sales of TWA subsidiaries are applied to the pension deficit, and are not distributed more generally. This was an immediate concern, and round one has gone to the PBGC.

Last week, the airline and the pension agency agreed that the $50m proceeds from the sale of the Travel Channel subsidiary should be applied to the pension problem, and not used to fund operations.

Longer-term, the agency says its aim is to protect the underfunded pension plans against any move by Mr Icahn to sell out altogether.

Meanwhile, at Continental Airlines – in bankruptcy since late-1990 – the tussle is remarkably similar. Continental was the sister company of the now-defunct Eastern Airlines, both being part of Mr Frank Lorenzo's airline group.

The PBGC is trying to recover $752m on behalf of the Eastern plans from Continental, and opposing the proposed $290m sale of Air Micronesia (in which Continental holds a controlling stake) – again on grounds that these proceeds should go to the Eastern pension plans.

Continental's recently-filed reorganisation scheme, however, treats the PBGC's claim in line with other unsecured creditors. The carrier has said that if the PBGC is given priority status, there will be little left for other unsecured creditors – although it has stressed the desirability of avoiding "prolonged litigation".

Carl Icahn: TWA fund could be $933m underfunded

In principle, it would seem thoroughly fitting that the PBGC, in the interests of pension protection, should play tough.

But not everyone thinks so. Some LTV creditors have complained loudly at being squeezed so far down the repayment queue. Critics have also argued that there may be a general reluctance to trade with, or supply credit to, financially-stretched companies with heavily underfunded pension plans.

Should bankruptcy ensue, runs the argument, these parties know their claims could play second fiddle to making the pension plans whole.

An even more basic complaint is that companies' attempts to reorganise are being thrown off track.

Whatever the flaws in Mr Lorenzo's past stewardship, for example, is it entirely fair that Continental's efforts to become a viable company should be hampered by its past association with Eastern? Or that legal wrangles in the LTV case should have delayed reorganisation for so long?

In reply, the PBGC maintains that it is merely seeking to "get its rightful due" under US law – and that this, after all, is its job. It is hard to quarrel with such a stance, but the fundamental question goes unanswered: are the bankruptcy laws themselves satisfactory ?

LARGEST UNDERFUNDED PENSION LIABILITIES ($)

Company	Guaranteed benefits liability	Assets	Unfunded guaranteed liability
LTV	3.39bn	204m	3.18bn
American Nat Can	816m	387m	429m
Uniroyal-Goodrich	826m	392m	434m
Chrysler	8.41bn	5.1bn	3.33bn
Bethlehem Steel	4.56bn	3.25bn	1.3bn
Navistar Int'l	2.48bn	1.95bn	535m
General Motors	42bn	34.85bn	7.15bn
Westinghouse Elec	4.33bn	3.64bn	692m

Source: PBGC

Anheuser seeks stake in rival

By Philip Rawstorne

ANHEUSER-BUSCH of the US, the world's biggest brewer, which produces the international Budweiser beer brand, is seeking a 30 per cent stake in the rival Budweiser Budvar brewery in Czechoslovakia.

Mr Jerry Ritter, Anheuser's chief financial officer, said yesterday the company had told the Czech government it wanted to end its long-running trademark battle with Budvar and to co-operate in developing the Budweiser brands.

Anheuser would help Budvar to expand its capacity – at present only 300,000 barrels a year against Anheuser's 86m barrels – and to market its beer internationally.

Mr Ritter claimed Anheuser was the "preferred bidder" among 42 brewers which were trying to acquire a holding in Budvar when it is privatised.

The US brewer has given assurances it would maintain the independence of the Czech company and its management, the quality of the beer and the integrity of the brand.

Mr Ritter said: "The heritage of the Czech beer is very important to the expansion of the brand in eastern and central Europe and beyond.

It is quite different from the US Budweiser and we believe the two can be developed successfully side by side."

The bid for a Budvar stake marks the first step in what is likely to become a more acquisitive approach by Anheuser to its international expansion.

While its priority for the next few years is to increase its 44.1 per cent of the US market to more than 50 per cent, it wants to acquire good quality brewers and beer brands worldwide.

Anheuser sells 2.5m hectolitres of beer – less than 3 per cent of total annual production – outside the US. It is brewed under licence in Japan, its main overseas market, Canada, the UK, Ireland, Denmark and South Korea; and it is exported from the US to 40 other countries.

Growth in the UK and mainland Europe has been relatively slow.

It has taken the UK operations, accounting for 80 per cent of European volume and in which Anheuser has recently taken direct control of marketing and distribution, seven years to become profitable.

Saudi seeks 14% of Citicorp

By Alan Friedman in New York

A SAUDI Arabian prince has asked the US Federal Reserve for permission to convert $590m of preferred stock in Citicorp, the US's largest bank, into common shares, making him the biggest single Citicorp shareholder, with over 14 per cent of the bank.

Prince Al-Waleed bin Talal has asked to be allowed to convert the preferred stock into a further 9.6 per cent of Citicorp common, while retaining a separate 4.8 per cent common equity stake he already owns.

If the Fed agrees, this would boost the Saudi's overall stake to nearly 14.4 per cent, larger than the 8.05 per cent shareholding owned by Wellington Management, a Boston-based investor presently the biggest single Citicorp shareholder.

The Fed confirmed it received the request, but would not comment on it.

In February 1991, when Prince Al-Waleed invested $590m in the convertible Citicorp shares, he told the Fed he would file a notice if he wished to retain his 4.8 per cent of common stock as well as the preferred paper.

Under the terms of the agreement, the Saudi cannot own over 15 per cent of Citicorp for the next four years.

Kmart improves 13.6% to $859m

By Nikki Tait

KMART, one the largest US retailers, yesterday reported a 13.6 per cent improvement in after-tax profits to $859m in the 12 months to January 29.

The advance was scored on sales up by 7.8 per cent during the year at $34.6bn. However, on a same-store basis the increase was far more modest – 3.7 per cent rise.

At the operating profit level, Kmart posted an 11.7 per cent increase at $1.64bn.

During the final quarter of the year, Kmart's progress was slightly ahead of that for the year overall. Sales were up 8.3 per cent at $10.6bn; pre-tax profits rose 20.2 per cent to $725m; and net profits increased 19.2 per cent to $479m.

Yesterday, Kmart shares rose $⅛ to $52⅛.

Mr Joseph Antonini, Kmart chief executive, acknowledged that the "weak economic environment adversely affected sales of electronics and other big-ticket categories".

But he said better profitability in the Kmart fashion division and some strong sales and earnings gains in the specialist store operations had produced the improvement.

He added that there were "early signs that the economic environment is strengthening". The company, he said, plans to complete 450 to 500 projects – a mixture of new stores and refurbishments – in the current 12 months. In the past year, it completed 474, opening 55 new full-sized Kmart stores.

Kmart operates over 4,000 retail outlets in the US, Puerto Rico and Canada, and takes in the Pay Less Drug Store chain, PACE warehouse clubs, Waldenbooks, and a number of other specialty chains.

AT&T to cut up to 6,000 jobs

AMERICAN Telephone & Telegraph will cut as many as 6,000 jobs and close 31 offices after it has deployed its voice-recognition technology for long-distance calling in 1994, Reuter reports.

The company said the technology will allow it to automate many calls now handled by operators.

The cuts will affect 200 to 400 management positions and 3,000 to 6,000 non-management positions in its operator services organisation by the end of 1994. AT&T employs about 18,000 operators.

It said it hoped to offer jobs to affected employees, and has identified eight types of job openings likely to occur between 1992 and 1994. Those not placed will receive severance of up to 104 weeks' pay.

Calls that will be handled by voice recognition include collect and billed-to-third-party calls.

An AT&T spokesman said the company sees "little or no impact" on its earnings from the reduction plan and had not planned any reserves at present.

BNL raises net earnings 3.2%

By Haig Simonian in Milan

BANCA Nazionale del Lavoro (BNL), the Italian Treasury-owned bank, raised net earnings at parent bank level by 3.2 per cent to L74.2bn ($59m) last year. Gross profits, before depreciation and provisions, rose 22.8 per cent to L1,204bn.

The sharp difference between BNL's net and gross earnings lies in the L1,319bn being put aside in depreciation charges and provisions. Some L917bn of the total is being allocated to special bad loan provisions, following a similar provision of over L637bn last year.

Separately, a special Italian parliamentary committee investigating the scandal over $4bn in improper Iraqi loans made by BNL's Atlanta branch, announced its long-awaited report would not be issued until after general elections on April 5.

Carrefour declines by 10.7% to FFr1.21bn

By William Dawkins in Paris

CARREFOUR, the hypermarket group which last year staged the largest takeover in the French hypermarket industry, yesterday announced a 10.7 per cent decline in annual profits.

Net earnings fell to FFr1.21bn ($210m) last year, from FFr1.35bn in 1990, in line with earlier forecasts.

This contrasts with a 32.3 per cent rise in sales, from FFr75.84bn to FFr100.37bn over the same period, supported by the inclusion since July of Euromarché, Carrefour's main rival, which the group bought last June for FFr5bn.

Profits were hit by a FFr382m exceptional write-down, partly for Euromarché and partly for Montlaur, a bankrupt supermarket chain acquired last March.

Carrefour also reported a FFr364m capital gain on asset sales over the period.

The board will recommend an unchanged annual dividend of FFr32.5 per share.

● SEB, the French brown goods group which owns the Tefal and Calor brand names, yesterday bucked the trend in the French corporate sector by announcing a 34 per cent increase in net profits to FFr312m from FFr233m in 1990, writes Alice Rawsthorn in Paris.

Despite the slowdown in consumer sales in many European markets last year SEB managed to increase consolidated sales by 8 per cent to FFr8.07bn. Operational profits rose by 25 per cent to FFr962m.

Earnings per share increased to FFr109.9 during the year and the board proposed a dividend of FFr34 per share.

INTERNATIONAL COMPANIES AND FINANCE

Write-down helps push Magnum into red

By Terry Hall in Wellington

A NZ$56m (US$31.1m) write-down by Magnum Corporation, the New Zealand liquor and food group, on the value of its investment in fellow drinks group Wilson Neill, helped push it to attributable losses of NZ$66.24m for the first half to December.

This compares with attributable profits of NZ$31.25m for the year-ago period.

Before losses from extraordinary items, Magnum made a NZ$10.68m after-tax profit, a drop of 65 per cent.

This was in spite of a 20 per cent rise in operating profits to NZ$875.65m. No interim dividend was declared.

Magnum, which has substantial liquor interests in both New Zealand and Australia, is controlled by a joint venture between Brierley Investments, with 27 per cent, and Asia Pacific Breweries, which in turn is owned by both Singaporean and Dutch interests.

Magnum wrote down the value of the Wilson Neill shares because of a substantial fall in their value. Wilson Neill also owns hotels in Australia and the Tasmanian brewery Cascade.

However, the writedown valued the Wilson Neill shares at 25 cents, compared with around 6.5 cents on the share market yesterday.

Extraordinary costs were NZ$76.93m, against gains of NZ$872,000 in the same period of 1990.

Magnum is forecasting NZ$20m full-year profits before extraordinary items.

Later yesterday, Brierley Investments and Asia Pacific Breweries said they were buying a 50 per cent stake in Australian hotel group Austotel from Magnum. Magnum bought the shares last year for NZ$110m.

Magnum also announced that Austotel had sold 70 hotels in Australia in a debt reduction programme.

Saison to buy SAS hotels stake

By Stefan Wagstyl in Tokyo

SCANDINAVIAN Airlines System (SAS), the cash-strapped airline, is planning to sell its 40 per cent stake in Inter-Continental Hotels, the international hotel chain, to Inter-Continental's controlling shareholder, Saison group, the Japanese retail and leisure combine.

SAS, which bought its stake for $500m just two years ago, has decided it no longer wants to carry the heavy cost of its investment in Inter-Continental, one of the world's biggest luxury hotel groups.

SAS and Saison group are expected to announce an agreement later this week.

SAS's pull-out will be a setback for the Saison group, which acquired Inter-Continental for $2.3bn in 1988 and brought in SAS as a partner to expand the chain's international appeal and help pay for a large-scale refurbishment and hotel-building programme.

Quite apart from SAS's problems, Saison's ambitions have been hit by the effects of rising interest rates, the impact of the Gulf war on international travel and of the slow down in the world economy.

Inter-Continental has been running in the black at the operating level but financing costs have pushed it into the red in each of the last three years. Last year, the hotel chain made an operating profit of around $50m and a pre-tax loss of about $100m.

Saison officials have denied that losses at Inter-Continental were putting pressure on the whole group's finances. But they admit that Inter-Continental missed a target in failing to break even at the pre-tax level last year.

To relieve part of Inter-Continental's debt burden, other Saison group companies are injecting a substantial amount of new capital into the hotel chain, though the precise amount has yet to be disclosed.

Also Mr Sueaki Takaoka, the chairman of Saison Corporation, a core company in the group, last month also assumed the post of chairman of Inter-Continental.

Inter-Continental is slowing down plans to expand its 100-plus hotels. However, large-scale disposals to clear debt have been ruled out on the grounds that the group wants to enhance Inter-Continental in the future and that world property prices are now depressed.

Saison officials believe re-acquiring 100 per cent of Inter-Continental would allow Saison group to take decisions more quickly.

CRA announces 26% fall in net profits

By Kevin Brown in Sydney

CRA yesterday announced a 26 per cent cut in net profits to A$350m (US$269.2m) for the year to December, continuing a run of poor results from the Australian mining sector.

The group, which is 49 per cent owned by RTZ of the UK, said the setback was caused by lower demand, falling metal prices and an increase in tax payments from 37 per cent to 49 per cent of gross profits.

It said the fall in net profits was reduced to 13.4 per cent after excluding abnormal items from the earlier period, which included profits on the sale of convertible notes issued by Klöckner Werke, the German steel and engineering group.

However, after including extraordinary losses of A$384m, the group declared bottom line losses of A$34m, compared with profits of A$400m for 1990.

The biggest component of the extraordinary loss was a write-off of the A$267m carrying value of the group's 53 per cent holding in Bougainville Copper, which owns the Panguna copper mine in Papua New Guinea (PNG).

CRA said there was no sign of a resolution of the conflict between the PNG government and Bougainville separatists, who forced the closure of the mine several years ago.

The group said that the cost of reopening the mine was now estimated at up to K450m ($427.5m).

CRA also wrote down the value of its other copper and gold assets by A$110m to reflect the impact of financing and development constraints in Australia and unrest in PNG, where the group's Mount Kare mine was recently attacked by armed bandits.

The carrying value of the group's downstream aluminium businesses was reduced by A$134m following its decision to concentrate on bauxite mining, alumina refining and smelting.

In addition, CRA booked an extraordinary loss of A$32.8m as its share of an extensive write-down of asset values announced earlier this week by Pasminco, a zinc and lead miner in which the group holds a 40 per cent shareholding.

The extraordinary loss would have totalled A$544m but for an offsetting profit of A$159m resulting from a transfer to the profit and loss account of surplus contributions to superannuation fund.

CRA said 1991 had been a "difficult" year of weak economic growth and warned the prospects of an early recovery in mineral prices or demand were "poor."

The directors declared a final dividend of 24 cents, fully franked, making a total of 34 cents, compared with 44 cents in 1990.

The shares closed 24 cents higher at A$14.10 on the Australian Stock Exchange, reflecting investors relief that net profits had not fallen as far as many analysts had forecast.

Big cuts in profits were announced earlier this week by Pasminco and Comalco, the Australian aluminium producer which is 67 per cent owned by CRA.

Renison Goldfields, the mineral sands producer, announced a 20 per cent rise in interim net profits, but warned that second-half earnings would be "well below" last year.

● Poseidon Gold, part of Mr Robert Champion de Crespigny's Normandy Poseidon group, announced a net profit of A$29m before minority interests for the six months to December, compared with A$41m for the comparable period of the previous year.

Hopewell climbs to HK$700m

By Simon Holberton in Hong Kong

HOPEWELL Holdings, the Hong Kong property and construction group controlled by local entrepreneur Mr Gordon Wu, yesterday announced a 94 per cent rise in earnings of HK$700m (US$90.9m) in the half-year to December 1991, from HK$361m in the corresponding period of 1990.

The half-year profit figure included a HK$285m exceptional gain from the disposal of a partial interest in a Hong Kong property development. Turnover was down 19.5 per cent to HK$600m from HK$716.9m

Adjusted for a one-for-one rights issue last June, Hopewell's earning per share fell to 19 cents from 22 cents. Directors declared an interim dividend of 14 cents a share, up from 11 cents for the previous period. They said they expected to achieve "encouraging results" this year.

Gordon Wu: encouraging results expected

Directors said that good progress had been made during the half-year on the construction of a super highway linking Guangzhou, the capital of Guangdong province, with the special economic zones of Shenzhen and Zhuhai.

Detailed design work was underway on plans it has to build an elevated road and rail system in Bangkok, together with associated property development.

Initial site work will start this month, and full-scale construction is planned for later in the year.

The company's power stations in Guangdong are currently supplying 12 per cent of total electricity consumed in the province.

A preliminary agreement has been signed with the Guangdong government to construct a third power station. The company is now in negotiations with suppliers.

Its power plant in Luzon, the Philippines, is operating well and it is planning another to feed into the Luzon grid.

Earnings fall at S Korean electronic companies

SOUTH Korea's leading electronic companies expanded sales last year but suffered a sharp decline in profitability, AP-DJ reports from Seoul.

Samsung Electronics, the nation's largest electronics company and the second largest group overall, posted sales of Won5,220bn ($11.1bn) in 1991, up 15.9 per cent from Won4,500bn a year earlier. However, its net earnings fell 6.04 per cent to Won68.6bn from Won73.01bn in 1990.

Goldstar, posted net earnings of Won18.5bn on sales of Won3,680bn. These represent a 23.5 per cent gain in sales from Won2,980bn in 1990, but a sharp 44.9 per cent decline in net earnings from Won33.6bn for the same period a year earlier.

Daewoo Electronics posted a 20.6 per cent rise in sales to Won1,580bn from Won1,310bn for the comparable period. Its net earnings expanded 4.6 per cent to Won13.6bn from Won13bn.

The poor performance in profits by these three large electronics groups was the result of losses of revenue from exports, particularly consumer electronics, the backbone of their business.

Shares of the three companies have nose-dived in the local stock market late last year on a wave of speculation that they would report full-year losses for 1991 as they were losing money on exports of consumer electronics and computers.

UBAF improves 36% in year

By Mark Nicholson, Middle East Correspondent

UBAF, the London-based bank which is part of the associated international Union des Banques Arabs et Français group, has reported a 36 per cent rise in profits after tax and provisions for 1991 to £6.4m ($10.88m).

The profit is after charging £10m to take loan loss provisions to £11.5m, which the bank says represents 71.6 per cent of identified problem loans.

Total capital rose to $87m, a 1 per cent rise on 1990, despite a write back of a property revaluation of £7.9m taken into reserves in 1989.

"This more accurately represents a fair value of the premises in the current depressed market," said Mr Peter Taplin, the chief executive.

Mr Taplin said the bank saw improvements in profits from all its mainstream commercial banking activities, highlighting a more than threefold rise in fees from arranging and syndicating trade and project financing to £11.5m

● Middle East Bank (MEB), which was acquired by the Dubai-owned Emirates Bank International (EBI) late last year after running into financial problems, suffered heavy losses in 1990 and 1991, Reuter reports from Dubai.

EBI said MEB's assets fell to Dh2.67bn ($741.6m) at the end of 1991 from Dh3.28bn in 1989. MEB did not publish a balance sheet in 1990.

The accumulated losses of MEB totalled Dh323m in the past two years, mainly due to losses in its international operations.

EBI, which holds 86.5 per cent of MEB shares, restructured the bank's capital by first writing off most of the losses against a Dh260m capital reduction. MEB's nominal capital stood at DH300m.

EBI than raised MEB's capital to Dh500m, injecting fresh funds to keep the bank going and to maintain a healthy capital to assets ratio.

Hyundai units to issue corporate bonds

THE South Korean government has allowed five subsidiaries of the Hyundai group to issue corporate bonds worth a combined Won45bn ($58.7m) this month, AP-DJ reports from Seoul.

The government's approval is expected to ease the group's financial pinch.

Hyundai subsidiaries have been suffering from an acute shortage of cash after the government reportedly ordered government-controlled commercial banks not to make fresh loans to Hyundai companies and restrict them from raising funds in stock and bond markets.

The allowed bonds are: Won20bn for Hyundai Engineering & Construction; Won10bn for Coryo Development; Won5bn for Hyundai Precision Industries and Won5bn each for Hyundai Electronics and Hyundai Wood Industries.

Australian bank releases rights issue details

BANK of Melbourne yesterday released details of its previously-announced one-for-four rights issue, Reuter reports from Melbourne.

The bank plans to raise A$71.8m (US$55.2m) after expenses to build up its retail business and boost capital, by issuing 20.94m shares at A$3.50 each.

"The proceeds of the issue will be used in the bank's retail banking business and will provide additional capital to keep pace with the asset growth which the bank is achieving," it said.

The bank recently reported net losses of A$21.1m for the first half to December, compared with profits of A$13.12m a year earlier.

Holzstoff proposes plan for capital restructuring

By Ian Rodger in Zurich

HOLZSTOFF, the Swiss paper and distribution group, has reported a 22.4 per cent jump in 1991 consolidated net income to SFr31.5m ($21m) on sales up 18.5 per cent to SFr814.6m.

The directors have also proposed a radical capital restructuring plan that would put all shareholders on an equal basis.

Last May, an alliance of foreign and Swiss pension funds forced the Holzstoff board to withdraw a proposal that would have limited the voting rights of registered shareholders.

Under the new plan, to be implemented following the change in Swiss company law on July 1, all restrictions on the transferability and voting rights of registered shares would be eliminated.

All bearer shares and participation shares would be converted into registered shares and the registered shares would be split on the basis of 10 for one.

The directors said that the group had successfully completed a strategic restructuring over the past two years and was raising the gross dividend per share from SFr90 to SFr110.

Each share or participation holder will also receive gratis options.

Woodside surges to A$116.5m

WOODSIDE Petroleum, the Australian operator of the North West Shelf gas project which is 40 per cent owned by Royal Dutch/Shell, yesterday reported a surge in net profits to A$116.51m (US$89.6m) for 1991 from A$49.69m a year earlier, Reuter reports.

Earnings per share jumped to 17.5 cents from 7.5 cents and the year's dividend is rising to 8 cents a share from 5 cents. Sales rose to A$446.22m from A$367.51m.

Net profits were struck after lower interest charges of A$122.25m against A$144.19m and there was again no tax charge.

INTERNATIONAL CAPITAL MARKETS

Gilts tumble on fears over UK government borrowing

By Sara Webb in London and Patrick Harverson in New York

BUDGET and political worries dealt a sharp blow to the UK government bond market, with gilt prices tumbling by as much as one percentage point during the day.

The market fell back on speculation that the March 10 Budget may contain tax cuts and lead to higher borrowing by the government over the next couple of years, according to traders.

While a cut in income tax could be seen as increasing the chances of the Conservative party winning a general election and therefore could be interpreted as positive for the gilt market, traders pointed out that instead the market appears to be focusing on the funding implications.

"Already we are expecting a public sector borrowing requirement of at least £23bn in 1992-93, so a tax giveaway in the Budget does not look good for the market," said one dealer.

GOVERNMENT BONDS

Yesterday's drop in the gilt market was mainly futures-driven. The Liffe gilt futures contract, which opened at 97.26, breached the important support level of 97.08, which in turn encouraged further selling of futures. The contract traded at 96.21 by late afternoon. Futures volumes were heavy at about 49,000 contracts, well above the average level of 19,000.

In the cash market, long-dated issues dropped heavily with the benchmark 11¾ per cent gilt due 2003/07 falling from 116.00 to 114¾. Short-dated issues were not as badly hit, with the 10 per cent gilt due 1994 slipping from 101.00 to 100[illegible].

■ US Treasury markets continued to be plagued by losses yesterday morning, with prices falling across the maturity range amid nervousness ahead of tomorrow's crucial February employment report.

By midday, the benchmark 30-year government issue was down [illegible] at 100[illegible], yielding 7.957 per cent. The two-year note was also sharply lower at mid-session, down [illegible] at 99[illegible], yielding 5.510 per cent.

Although the market held its ground for the first few hours of trading, the cumulative effect of recent data suggesting the US economy is pulling out of recession – in particular Tuesday's leading economic indicators and new home sales figures – eventually took its toll.

Additionally, in the absence of significant retail interest – most investors remain unwilling to commit themselves to the market until the employment numbers are released tomorrow morning – there was little support to keep prices from falling.

■ German government bonds drifted lower, taking their lead from the US and UK markets.

Traders said there was some dismay at the Bundesbank's decision to drain DM2.5bn from the market at yesterday's securities repurchase tender. Dealers had expected the Bundesbank to replace fully two securities repurchase pacts worth DM44.5bn which expired yesterday, but the central bank allocated only DM42bn.

Technical factors also pushed the market slightly lower, according to traders, as the March futures contracts were rolled over into the June contract, which has now taken over as the main contract.

The June bund futures contract opened at 88.83 and slipped back to 88.56 by late afternoon on a volume of 44,000.

■ Yen weakness against the US dollar continued to weigh on the Japanese government bond market yesterday.

The dollar ended at Y131.50, despite intervention by the Bank of Japan in the foreign exchange markets, up from Y131.03 in New York late Tuesday and Y129.94 in Tokyo on Tuesday.

The yield on the benchmark No 129 bond moved in a range of 5.435 to 5.475 per cent, but it closed almost unchanged on the day at 5.45 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	99.5291	+0.086	10.07	9.97	10.27
BELGIUM		9.000	09/01	102.1000	-	8.65	8.64	8.66
CANADA *		8.500	04/02	99.8500	+0.300	8.52	8.42	8.38
DENMARK		9.000	11/00	102.6200	+0.070	8.54	8.55	8.53
FRANCE	BTAN	8.500	03/97	99.1803	-0.020	8.69	8.66	8.64
	OAT	8.500	11/02	100.3600	+0.040	8.43	8.38	8.44
GERMANY		8.000	01/02	101.1500	-	7.82	7.85	7.91
ITALY		12.000	02/02	99.2800	+0.110	12.12†	12.14	12.27
JAPAN	No 119	4.800	06/99	94.6721	-0.086	5.80	5.71	5.88
	No 129	6.400	03/00	105.1862	-0.089	5.47	5.36	5.40
NETHERLANDS		8.250	02/02	99.9800	-0.270	8.25	8.22	8.36
SPAIN		11.300	01/02	103.8800	+0.210	10.63	10.75	10.85
UK GILTS		10.000	11/96	101-22	-0.313	9.54	9.38	9.59
		9.750	08/02	101-26	-0.875	9.46	9.26	9.40
		9.000	10/08	97-16	-34/32	9.30	9.08	9.18
US TREASURY *		7.500	11/01	109-14	-03/32	7.43	7.42	7.37
		8.000	11/21	100-23	-05/32	7.94	7.93	7.81

London closing, *denotes New York morning session. Yields: Local market standard
† Gross (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Japanese adopt new rules on dividends

JAPAN'S securities industry has adopted new dividend payment rules in an attempt to pull the stock market out of its continuing downturn, AP-DJ reports from Tokyo.

The Japan Securities Dealers' Association (JSDA) is to introduce rules forcing companies seeking to raise funds in the securities markets to make a three-year pledge to distribute at least 30 per cent of after-tax profit as dividend payments.

The rules, which go into effect April 1, are designed to make stock investment more attractive. The JSDA said companies currently distributed an average of 22 to 23 per cent of their after-tax profit as dividends.

From April 1, a company which issues new stocks, convertible bonds or warrant bonds, must maintain its dividend-to-payout ratio at 30 per cent or more for three consecutive business years.

Highly-profitable and fast-growing companies, however, will be exempt from the new rules if their profit-to-capital ratio stands at 8 per cent or more and their dividend-to-capital ratio comes to 2.4 per cent or more.

Currently, about half of companies listed on the stock exchange's first section meet the 30 per cent requirement.

The names of companies that fail to honour their pledges would be made public, the JSDA said.

New stock issuance has not occurred for nearly two years, amid the market's prolonged weakness, due to concern about the oversupply of stocks. Heavy equity-linked financing, conducted while neglecting the profits of share holders, has been criticised as one of factors behind the stock market slump.

Investors, such as life insurance companies, have been urging a rise in dividends over the past year.

Mapfre boosts stake in Indosuez venture

MAPFRE, the Spanish financial services group, is raising its stake in Mapfre Indosuez, a stockbroking joint venture with Banque Indosuez, from 50 per cent to 73 per cent, Reuter reports from Madrid.

The Madrid-based Mapfre Indosuez was formed in 1989 and consists of stockbroking and fund management operations, with Mapfre holding 50 per cent of the stock.

Mapfre said the increase to 73 per cent followed agreement between Mapfre and Indosuez to hold rights issues in each of the companies in the venture.

Sociedad de Valores, the stockbroking side of Mapfre Indosuez, will have fully paid-up share capital of up to Pta2.5bn and Sociedad Gestora de Instituciones de Inversion Colectiva, the fund management unit, fully paid-up capital of Pta340m.

Lottery set in Shanghai share offers

SEVEN Shanghai companies will float a total of 7.05m shares this week through a lottery system designed to winnow the city's pool of millions of eager investors, Reuter reports from Beijing.

The companies include the state-run Shanghai Special-Shaped Steel-Tubing Plant, Shanghai Jiafeng Cotton Mill and Shanghai United Textile.

The shares, with a face value of Y10 each, are to be offered to a group of 217,000 people selected through a lottery that attracted 2.14m applicants.

Each of the applicants bought a lottery number for Y30. Numbers are to remain valid for the three to four future lottery drawings that Shanghai plans for this year.

The exchange plans to list a total of about 30 companies by the end of the year. Currently 10 companies are listed.

The official New China News Agency said the lottery system had been instituted to prevent the chaos surrounding previous issues, when police had to be called out to control crowds of hopeful investors.

ABN Amro takes 90% of CME

ABN Amro, the Dutch bank, is to take a 90 per cent stake in Capital Markets Equities (CME), the Spanish stockbroker, and inject about Fl 25m into the company, AP-DJ reports from Amsterdam.

ABN Amro said the sale price was in the area of "tens of millions of guilders". However, the bank was delaying an official announcement until full approval was received from the Spanish Ministry of Finance. ABN Amro said approval was likely within a few weeks.

CME is a subsidiary of Capital Markets Holding, in which ABN Amro holds a 20 per cent stake. In 1991, CME booked net losses of Pta23m, while the previous year it fell Pta79m into the red.

The deal follows the recent announcement that ABN Amro had agreed to buy Hoare Govett, the UK stockbroker.

Hong Kong cuts transaction duty

HONG Kong announced that it would lower stamp duty on share transactions to 0.4 per cent from 0.5 per cent, Reuter reports from Hong Kong.

The cut, effective April 1, continues a trend started last year, when the rate was cut from 0.6 per cent. It would keep Hong Kong in line with international trends, said Mr Hamish Macleod, the colony's financial secretary.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on March 4

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	105½	105¾	-⅛	6.72
ALBERTA PROVINCE 9 3/8 95	600	107⅛	107⅝		6.91
AUSTRIA 8 1/2 00	400	104¾	105¼	-⅛	7.67
BANK OF TOKYO 8 3/8 96	100	103⅝	104	+⅛	7.38
BELGIUM 9 5/8 98	250	109⅝	110		7.84
BFCE 7 3/4 97	150	102	102⅜	+⅛	7.29
BNP 8 5/8 94	300	105½	105⅞	+⅛	6.38
BRITISH GAS 8 3/8 99	350	103⅝	103⅞	-⅛	7.75
CANADA 9 96	1000	107⅝	107⅞		6.75
CARCO 9 1/4 96	650	102⅝	103⅛	-⅛	8.49
CCCE 9 1/4 95	300	107⅛	107⅝	-⅛	6.50
COUNCIL EUROPE 8 96	100	103⅜	103¾		7.10
CREDIT FONCIER 9 1/2 99	300	109¾	110¼	-⅛	7.82
DENMARK 8 1/4 94	150	104⅝	105	+⅛	6.13
DENMARK 9 1/4 95	1371	107¼	107⅝	-⅛	6.59
ECSC 8 1/4 96	193	104¼	104⅝		7.15
EEC 8 1/4 96	100	104¼	104⅝		7.09
EIB 7 3/4 96	250	102⅝	103⅛	-⅛	7.01
EIB 9 1/4 97	1000	108¼	108¾	+⅛	7.35
ELEC DE FRANCE 9 98	200	106⅝	107⅛	-⅛	7.56
EURO CRED CARD TST 9 94	325	103⅝	104⅛	-⅛	7.39
EUROFIMA 9 1/4 96	100	107	107⅜	-⅛	7.18
EXPORT DEV CORP 9 1/2 98	150	109¼	109¾	+⅛	7.60
FINLAND 7 7/8 97	200	101¼	101⅝	-⅛	7.55
FINNISH EXPORT 9 3/8 95	200	107¼	107⅝	-⅛	7.07
FORD CAPITAL 9 3/4 97	250	105⅞	106⅜	+⅛	8.31
GEN ELEC CAPITAL 9 3/8 96	300	107¼	107⅝	-⅛	7.25
GMAC 9 1/8 96	200	104⅛	104⅝		7.85
GUINNESS FINANCE 8 94	200	103⅛	103⅜	-⅛	6.44
IBM INTL FIN 7 3/4 94	200	103⅛	103⅜		6.00
IND BK JAPAN FIN 7 7/8 97	200	101¼	101⅝	+⅛	7.50
INTER AMER DEV 7 5/8 96	200	102	102⅜		7.08
ITALY 8 1/2 94	1500	105⅝	106	-⅛	6.06
JAPAN DEV BK 8 94	150	104	104⅜		6.00
KANSAI ELEC PWR 10 96	350	109⅛	109⅝		7.25
LTCB FIN 8 97	200	101	101⅜		7.74
NEW ZEALAND 9 94	850	105⅝	106		6.45
NIPPON CRED BK 10 3/8 95	150	108⅝	109⅛	-⅛	7.43
NIPPON TEL & TEL 9 3/8 95	200	107¼	107⅝	-⅛	6.67
ONTARIO 8 1/2 01	600	102¼	102⅝		8.16
ONTARIO HYDRO 11 5/8 94	200	109⅞	110¼	-⅛	6.30
OSTER KONTROLLBANK 8 1/2 01	200	104⅛	104⅝		7.81
PETRO-CANADA 7 1/4 96	200	100⅞	101¼	+⅛	7.03
QUEBEC HYDRO 9 3/4 98	150	108⅞	109¼	-⅛	7.99
QUEBEC PROV 9 98	200	105	105⅜	-⅛	7.93
SAINSBURY 9 1/8 96	150	105⅛	105⅝		7.67
SAS 10 99	200	105⅞	106¼	-⅛	8.95
SBAB 9 1/2 95	900	107⅛	107⅝		6.86
SNCF 9 1/2 98	150	109⅛	109⅝		7.60
STATE BK NSW 8 1/2 96	200	102⅞	103⅜	-⅛	7.71
SWEDISH EXPORT 8 3/8 96	700	104⅛	104⅝	-⅛	9.59
TOKYO ELEC POWER 8 3/4 96	300	105⅛	105⅝	-⅛	7.28
TOKYO METROPOLIS 8 1/4 96	200	104	104⅜	-⅛	7.20
WORLD BANK 8 3/8 99	1500	105½	105⅞		7.35
WORLD BANK 8 3/4 97	1500	107½	107⅞		7.87
XEROX CORPN 8 3/8 96	100	101⅞	102⅜	-⅛	7.98
DEUTSCHE MARK STRAIGHTS					
ABN AMRO 8 1/2 96	500	101½	101⅞	+⅛	8.08
AUSTRIA 6 3/4 99	750	94⅝	95⅛	+⅛	7.71
BNP 8 1/4 01	200	102⅝	103⅛	+⅛	7.84
DEUTSCHE FINANCE 7 1/2 95	1000	98⅜	98⅝		7.99
EIB 5 3/4 98	400	90⅛	90⅝		7.85
EIB 6 1/4 99	600	91⅞	92⅜	+⅛	7.81
EUROFIMA 8 3/4 96	400	103⅛	103⅝	+⅛	7.82
FIRST INTERSTATE 5 3/4 96	100	86⅞	87⅜	-⅛	9.71
FORD MOTOR CREDIT 9 1/4 94	300	100⅛	100⅝		9.15
IND BK JAPAN FIN 5 5/8 96	200	91⅛	91⅝	+⅛	8.19
INTER AMER DEV 9 00	300	106⅞	107⅜	-⅛	7.88
IRELAND 6 1/2 99	900	93	93½		7.84
LUFTHANSA INT FIN 5 7/8 98	500	89⅛	89⅝		8.17
NAT BK HUNGARY 10 3/4 98	500	100	100⅝		10.72
SWEDEN 6 1/8 98	900	92	92½	-⅛	7.84
TURKEY 10 3/4 96	500	101	101⅝		10.43
WORLD BANK 0 15	2000	21⅛	22⅛		6.62
WORLD BANK 5 3/4 96	300	92⅝	93⅛	-⅛	7.96
WORLD BANK 8 3/4 00	1250	105⅛	105⅝		7.85
SWISS FRANC STRAIGHTS					
ASIAN DEV BANK 6 10	100	91¾	92¼	-⅛	6.84
AUSTRIA 4 5/8 98	100	90⅝	91⅛		6.67
CHUBU ELEC POWER 6 3/4 01	300	100⅝	100⅞	+⅛	6.71
COUNCIL EUROPE 4 3/4 98	250	91⅛	91⅝		6.57
EEC 5 1/2 00	100	91½	92¼		6.82
EIB 6 1/2 98	600	100⅜	100⅞		6.34
ELEC DE FRANCE 7 1/4 06	180	104	104½	+⅛	6.79
FINLAND 5 3/8 95	150	96	96½		6.63
GENERAL MOTORS 7 1/2 95	100	99½	100		7.68
JAPAN DEV BK 5 1/2 94	100	96½	97	+⅛	7.50
KOBE 6 3/8 01	240	98½	99	-⅛	6.59
NEW ZEALAND 4 7/8 99	200	90⅛	90⅝	-⅛	6.68
QUEBEC HYDRO 5 08	100	77⅞	78⅜		7.45
WORLD BANK 5 03	150	86	87		6.80
WORLD BANK 7 01	600	103⅝	103⅞	-⅛	6.47
YEN STRAIGHTS					
AUSTRIA 4 3/4 94	30000	99⅛	99⅝		5.25
CREDIT FONCIER 5 1/4 94	20000	99⅜	99⅞	-⅛	5.54
DENMARK 7 95	40000	104⅝	104⅞		5.28
EIB 4 5/8 94	40000	99½	99⅞	+⅛	4.87
ELEC DE FRANCE 5 5/8 96	20000	100⅜	100⅝		5.52
FINLAND 6 3/4 96	50000	102⅞	103⅝		5.79
INTER AMER DEV 7 1/4 00	30000	109⅛	109½	-⅛	5.80
KANSAI ELEC PWR 4 5/8 94	68000	98⅛	98⅜		5.56
NIPPON TEL & TEL 5 7/8 96	50000	101⅞	102		5.42
NORWAY 5 1/8 95	50000	99½	99⅞		5.90
SNCF 6 3/4 00	30000	106½	106⅞	-⅛	5.71
SWEDEN 5 5/8 95	20000	100⅛	101		5.45
WORLD BANK 6 3/4 00	50000	107⅛	107⅝		5.62

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.91
COPENHAGEN TEL 8 5/8 96 LFr	600	98⅜	99⅛		9.17
WORLD BANK 8 96 LFr	1000	96⅜	97⅛		8.96
ENERGIE BEHEER 8 3/4 98 Fl	500	103⅛	103⅝		8.09
UNILEVER 9 00 Fl	500	105⅝	105⅞		8.10
ALBERTA PROVINCE 10 5/8 96 C$	500	105⅛	105⅝	+⅛	8.98
BELL CANADA 10 5/8 99 C$	150	105⅜	106⅛	-⅛	9.48
BRITISH COLUMBIA 10 96 C$	500	103⅝	104	+⅛	8.97
EIB 10 1/8 98 C$	130	104⅛	105⅛		9.06
ELEC DE FRANCE 9 3/4 99 C$	275	103⅛	103⅝		9.14
FORD CREDIT CANADA 10 94 C$	100	100⅞	101⅜	-⅛	9.70
GEN ELEC CAPITAL 10 96 C$	300	103⅛	103⅝		9.06
KFW INT FIN 10 01 C$	400	103⅝	104⅛	-⅛	9.37
NIPPON TEL & TEL 10 1/4 94 C$	200	104⅛	105⅛	-⅛	9.13
ONTARIO HYDRO 10 7/8 99 C$	500	106⅝	106⅞	+⅛	9.54
OSTER KONTROLLBANK 10 1/4 99 C$	150	105⅛	105⅝		9.22
QUEBEC PROV 10 1/2 98 C$	200	104⅛	105⅛		9.50
BELGIUM 9 1/8 96 Ecu	1250	102	102½		8.51
CREDIT LYONNAIS 9 96 Ecu	125	99⅝	100⅛		9.21
DENMARK 7 5/8 96 Ecu	250	93⅞	94⅜	-⅛	9.59
EEC 7 5/8 94 Ecu	200	97⅜	97⅞		9.28
EIB 10 97 Ecu	1125	106½	106⅞	+⅛	8.34
FERRO DEL STAT 10 1/8 98 Ecu	500	106⅛	106⅝	+⅛	8.65
ITALY 10 3/4 00 Ecu	1000	112⅛	112⅝		8.61
UNITED KINGDOM 9 1/8 01 Ecu	2750	104½	104⅞		8.39
BP AMERICA 12 1/4 96 A$	100	107¼	107⅝	+⅛	10.00
COMM BK AUSTRALIA 13 3/4 99 A$	100	114⅛	114⅝		10.81
EKSPORTFINANS 12 3/8 95 A$	75	108	108½	-⅛	9.36
EUROFIMA 14 5/8 94 A$	75	111	111½		8.81
MCDONALDS CANADA 15 95 A$	100	113⅛	113⅝		10.05
NAT AUSTRALIA BANK 14 3/4 94 A$	150	109⅞	110⅜		9.05
STATE BK NSW 14 1/4 99 A$	100	115⅝	116	-⅛	11.04
UNILEVER AUSTRALIA 12 98 A$	150	107⅞	108⅛	+⅛	10.22
VOLKSWAGEN INTL 15 94 A$	100	110½	111		9.30
ABBEY NATL TREAS 13 3/8 95 £	100	107⅞	108⅛		10.18
ALLIANCE & LEICS 11 3/8 97 £	100	102⅞	103⅜	-⅛	10.60
BRITISH GAS 12 3/4 95 £	300	106⅞	107⅛		9.98
BRITISH LAND 12 1/2 16 £	150	107⅛	107⅝		11.93
DEUTSCHE BK FIN 11 94 £	225	101⅞	102⅛		9.82
EIB 10 97 £	536.5	101⅝	102		9.56
FINLAND 10 1/8 97 £	100	101⅛	101⅝	-⅛	9.80
ITALY 10 1/2 14 £	400	104⅛	104⅝		10.00
LAND SECS 9 1/2 07 £	200	88⅛	88⅝	-⅛	11.13
NORWAY 10 1/2 94 £	200	101⅛	101½		9.75
ONTARIO 11 1/8 01 £	100	105⅝	106	-⅛	10.13
SEVERN TRENT 11 1/2 99 £	150	104⅛	104½	-⅛	10.64
SKANDINAVISKA ENSK 13 1/8 95 £	100	106⅝	107⅛	+⅛	10.42
TOKYO ELEC POWER 11 01 £	150	106⅛	106⅝		9.94
WORLD BANK 12 1/4 95 £	100	103⅝	104		9.84
ABBEY NATIONAL 0 96 NZ$	100	65⅞	66⅜		9.53
BNP 12 96 NZ$	50	108⅞	109⅜		9.40
CEPME 10 95 FFr	2000	102⅞	103		8.97
ELF-AQUITAINE 9 99 FFr	600	100⅛	101⅛	-⅛	8.84
EURATOM 7 5/8 98 FFr	900	93⅞		+1⅛	8.92

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALLIANCE & LEICS 0.08 94 £	300	99.56	99.66	10.7675
BANCO ROMA 0.03 01	200	92.88	94.27	4.4050
BELGIUM 1/16 97 DM	500	99.96	100.06	9.6875
BFCE-0.02 96	350	100.22	100.32	4.9175
BNP 05	300	97.54	98.52	5.5625
BRITANNIA 1/10 96 £	150	99.08	99.28	10.7875
CCCE 06 ECU	200	99.91	100.01	9.8594
CITIZENS FED 0.15 96	100	99.48	99.95	5.9625
CREDIT FONCIER-1/16 98	200	100.13	100.24	5.3438
DENMARK-1/8 96	1000	99.66	99.76	4.1875
DRESDNER FINANCE 1/32 98 DM	1000	99.94	100.04	9.5938
ELEC DE FRANCE 1/8 99	400	101.31	102.06	5.2500
FERRO DEL STAT 94	200	101.06	101.41	4.4375
HALIFAX 1/10 94 £	200	99.93	100.03	10.5375
IRELAND 98	300	99.65	99.75	4.4600
ITALY 00	500	100.96	101.25	4.5000
LEEDS PERMANENT 1/8 96 £	200	99.37	99.55	11.0000
LLOYDS BANK 1/10 PERP S.3	600	78.50	80.50	4.5375
MITSUI FIN ASIA 1/8 96	100	99.97	100.10	5.9575
NAT WEST FIN 3/16 05	400	93.03	94.19	5.5000
NEW ZEALAND 1/8 96	250	100.26	100.36	4.8130
RENFE 98	500	100.09	100.19	5.0000
SOCIETE GENERALE 96	300	99.82	99.92	5.6250
STATE BK VICTORIA 0.05 99	125	98.73	98.97	4.3625
UNITED KINGDOM -1/8 96	4000	100.00	100.04	4.2500
YORKSHIRE BS 1/10 94 £	165	99.58	99.68	10.5375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
BURTON GROUP 4 3/4 01 £	110	2.38	129⅞	131	
CHUBB CAPITAL 6 98	250	86	103⅝	104⅝	+33.17
EASTMAN KODAK 6 3/8 01	300	50.67	102⅞	103⅝	+16.16
GOLD KALGOORLIE 7 1/2 00	65	1.0554	85⅛	86⅛	+47.39
HANSON 9 1/2 06 £	500	2.5875	101⅛	102⅛	+20.60
HAWLEY 6 02 PREF	400	19.1	90⅛	92⅛	
HILLSDOWN 4 1/2 02 £	150	3.97	117½	118½	
LAND SECS 6 3/4 02 £	84	6.72	83	84	+26.48
LASMO 7 3/4 05 £	90	5.64	76½	77½	
MITSUI BANK 2 5/8 03	200	2337½	69⅞	71⅛	+19.98
MOUNT ISA FIN 6 1/2 97	100	2.283	95⅛	96⅛	+17.45
OGDEN 6 02	85	39.077	83⅛	84⅛	+36.77
SEGA ENTERPRISES 3 1/2 96	200	13018	105⅛	106⅛	+1.50
SMITH & NEPHEW 4 02 £	90	1.775	122⅛	123⅛	+44.51
SUMITOMO BANK 3 1/8 04	300	3606.9	64⅛	65⅛	+27.94
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	90⅛	91⅛	
THORN EMI 5 3/4 04 £	103	7.45	120⅛	121⅛	+12.33

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Cable & Wireless 10-year issue draws strong demand

By Simon London

THE strong appetite of international investors for Eurosterling bonds was demonstrated yesterday by the successful launch of £400m paper despite of a sharp sell-off in the UK government bond market.

Cable & Wireless, the UK-listed telecommunications company, chose a difficult day to make a debut £150m 10-year bond issue, lead managed by Samuel Montagu. At the 10-year maturity gilts prices closed down a full point.

However, Cable & Wireless attracted strong international buying before gilts prices started to collapse. Participants in the deal reported strong buying from Far Eastern investors early in the day. The company's Asian telecommunications subsidiaries account for around two thirds of profits. UK investment managers were also strong buyers of paper issued by the UK's 17th largest company by market capitalisation.

The 10⅜ per cent bonds were priced to yield 86 basis points more than gilts of the same maturity, seen as fair by most underwriting firms. By the close of trading the yield spread over gilts had narrowed to 81 basis points, although this also reflected higher government bond yields.

The proceeds of the issue will be used to finance capital expenditure, including investment by Mercury, the UK telecommunications licence holder. Cable & Wireless has an annual capital expenditure programme of around £1bn.

Finland also saw a warm response to its £250m five-year deal, lead managed by Warburg Securities, despite losing its top triple-A credit rating from Standard & Poor's, the US rating agency, on Tuesday.

The 9⅛ per cent bonds were priced to yield 25 basis points more than UK government bonds, considered generous enough to overcome any negative sentiment.

Buying of the bonds was dominated by continental European investors starved of high-quality sterling bonds in recent months.

Elsewhere, Turkey increased its $150m five-year bond issue launched on Tuesday to $200m in the face of strong buying from fund managers hungry for high-yield assets.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
STERLING						
Republic of Finland(a)†	250	9⅛	99.14	1997	⅜/¼	SG Warburg Secs.
Cable & Wireless Int.Fin.(a)†	150	10⅜	101.20	2002	2/1¼	Samuel Montagu
FRENCH FRANCS						
Hydro Quebec(a)†	1bn	9	100.845	2002	2/1½	Societe Generale
PESETAS						
European Inv.Bk(b)†	20bn	10.20	101.45	1997	1⅝/⅝	Bco.Bilbao Vizcaya
D-MARKS						
Daishinku Corp(e)♦	60	4⅜	100	1996	2¼/1½	Daiwa Europe GmbH
SWISS FRANCS						
Five Foxes Co.(c)★★‡†	20	(c)	101⅜	1999	-	Mitsubishi Bank (Switz)
LIRE						
Mediobanca Int.(Cayman Is.)(d)†	50bn	11.70	100	1999	-	Banco di Roma
GUILDERS						
Commerzbank AG(e)†	250	8½	100.45	2002	1/⅝	Rabobank
US DOLLARS						
Republic of Turkey(f)†	200	8½	100	1997	1¼/⅝	Bankers Trust Int.

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Matador issue. Non-callable. c) Coupon pays 6-month Libor + 40bp. Non-callable. d) Fungible with existing L100bn deal. Non-callable. e) Subordinated issue. Non-callable. f) Amount increased from $150m. Put option 20/3/95 at 100%. Coupon payable semi-annually.

South Korean securities houses target City

A FLOOD of South Korean securities houses opened offices in London last year, hoping to capture international investor interest in their country's equities and equity-related instruments now that the Korean stock market has opened up to direct foreign investment, writes Sara Webb.

Six of the 18 securities houses to open offices in London last year were South Korean, according to an annual survey, New Foreign Securities Houses in London 1991, produced by Noel Alexander Associates, the banking consultancy. The six are Daewoo Securities, Daeyu Securities, Daishin International, Hyundai Securities, Korea Development Securities, and Ssangyong Securities.

"South Korean houses have come to London so that they will be well-placed to sell Korean equities, convertibles and global depositary receipts to international investors," said Noel Alexander Associates.

While 18 houses opened in London, nine firms left the City. The net increase in the number of foreign houses setting up in London last year was the highest since 1987.

The nine which left were Kansallis Gota Securities, Levesque Beaubien Geoffrion, Litcorp, Mark Petrotrade Futures, O'Connor Securities, Potts West Trumbull, Shire Trust, U.I. Holding, and V. Berg & Sons.

Bonds favoured to finance recovery

Debt funding is becoming more attractive to UK companies, writes **Simon London**

THE sterling bond market could be in for bumper year, with UK companies turning to bond market investors rather than the equity market or banks to finance economic recovery.

Yesterday's debut bond issue by Cable & Wireless, to finance a heavy capital investment programme, may set a precedent for other companies this year.

Analysts at Barclays de Zoete Wedd point to a "retrenchment and refinancing" among UK companies which has left them well positioned to raise additional debt finance.*

The corporate sector financial deficit, the amount of debt owed by UK companies, reached 5 per cent of gross domestic product in 1990, at £5.23bn. By the end of 1991 the deficit had been reduced to less than 2 per cent of gross domestic product or £2.48bn.

Most refinancing was done through the equity market last year, a ready source of funds in the first half as institutional investors pumped money into equities in anticipation of economic recovery. In all, £10bn was raised from rights issues, strengthening the balance sheets of UK companies.

However, as interest rates fall debt finance will appear more attractive vis-à-vis equity finance. The cost of equity is already high in historic terms.

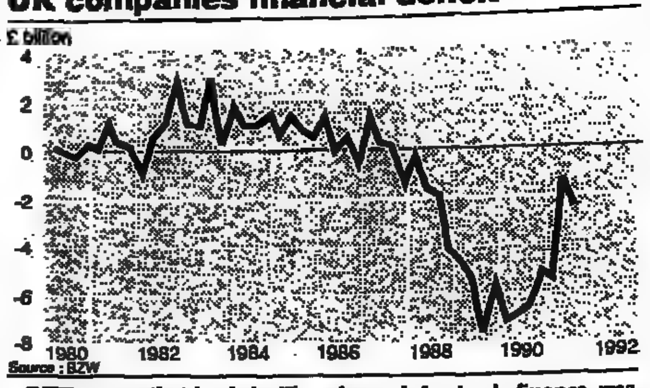
According to BZW, the inflation-adjusted cost of equity capital is currently 11.8 per cent, the highest since 1931 and well above the long-term average of 7 per cent. The current real cost of equity finance is comparable to that seen in 1959, which was followed by three years of negative dividend growth.

These considerations are leading some investment institutions to increase their portfolio weightings in favour of bonds, albeit from a very low base.

"With the relatively high percentage of institutional money likely to be allocated to fixed interest this year, it looks very much as if equity investors will become even more choosy," commented Ms Shira Cornwall, director of BZW sterling bonds.

Companies making the decision to raise additional debt finance face a choice between the banks and the bond market. It remains an open question whether banks will be willing to provide finance at a cost acceptable to companies.

UK companies financial deficit



Source: BZW

BZW argues that banks' willingness to make new loans is closely linked to the fortunes of the property market. Large banks are exposed to the property market through loans to consumers for house purchases and loans to property and construction companies. Property and construction companies account for 13.5 per cent of Barclays total loan book.

In addition, the value of the banks' property counts as capital, through property revaluations. Nearly 12 per cent of the Tier I capital of Lloyds Bank is related to property revaluations.

However, bankers argue that demand for bank finance was so low last year that lending margins are actually now declining as competing banks chase the little available business.

Even so, many company treasurers recognise that institutional funding from the bond market has a utility over and above its competitiveness in terms of cost. Raising core long-term debt from the bond market leaves bank credit lines free to meet unexpected events.

In addition, companies in property-related sectors are likely to face special problems in raising new bank finance. BZW expects a number of long-dated secured debenture issues from property and construction companies this year.

For the majority of large UK corporations – such as Cable & Wireless – unsecured bond issues of around 10 years' maturity may be the most attractive option.

The proceeds of shorter-dated issues can be swapped into floating-rate funding. In addition, long-dated issues generally carry covenants which tie the borrower to strict gearing and interest cover ratios.

Moreover, bond issues of 10 years' maturity or less attract overseas buyers, an important source of sterling funds since the UK currency joined the European exchange rate mechanism.

Additional overseas buying was reflected in the maturity pattern of new issues last year. Around £10.8bn fixed-rate sterling bond issues were launched last year, double the amount raised in 1990.

Around 79 per cent of these bonds had maturities less than 10 years, much higher than average.

**Funding Out of Recession, available from Barclays de Zoete Wedd, fixed income division, tel: 071-220 7351.*

Indian stock market reforms gather pace

Gita Piramal on the recent spate of legislation opening up the nation's 21 exchanges

STRUCTURAL overhaul of India's stock and capital markets has been long overdue. Yet few observers anticipated the government would display such enthusiasm now that it has finally tackled the job. Recently new guidelines have been showering down on bemused market participants.

Last month the government ended its monopoly on mutual funds by permitting private companies to start their own funds.

A few days earlier, the Securities and Exchange Board of India (Sebi) was given statutory status as an autonomous body providing investor protection, prohibiting insider trading, promoting the development of capital markets and regulating intermediaries.

Meanwhile, pressure on the Bombay Stock Exchange to stop operating like a cartel is increasing.

These recent reforms are just the tip of the iceberg and more announcements are expected. The most important and controversial measure under discussion is the setting-up of a national stock market system.

Although the reforms so far have been generally welcomed, not everyone supports them. One principal area of concern is Sebi's new status.

On the day the Sebi directive was announced, it was welcomed in corporate and financial circles. Sebi had finally been given teeth. Of late, some are wondering if these are effective.

One concern is that under the guise of liberalisation, government is in fact enhancing its own supervisory role. A closer look at the fine print reveals Sebi can do little without an approving nod from the finance ministry.

At the country's 21 stock exchanges, however, it is business as usual and the national index has advanced strongly.

The biggest gains have been in Bombay, where more than two thirds of the country's trading takes place. Volume has doubled in six months.

Trading in Bombay is poised to expand with the imminent listing of the Rs26bn worth of shares in 21 public sector undertakings (PSUs) recently sold to financial institutions and mutual funds.

According to Mr Hemendra Kothari, the Bombay Stock Exchange president, the market's capitalisation is expected to shoot up from the current Rs165,000bn to Rs275,000bn after the PSUs are listed.

In the meantime the Bombay authorities are trying with limited success to cool the heated market. None of the curbs on forward trading and speculation have dented stockbrokers' enthusiasm.

However some of the larger traders are predicting a serious market correction by April. This is when company results start to trickle in, and there are many sectors of the economy that have performed well below par.

The majority of today's aggressive brokers, however, tend to dismiss these downbeat forecasts. The opening-up of the mutual fund business to the private sector is cited as one reason why stock markets may soon fall sharply. Several big business houses are expected to promote their own funds. Many, such as the Bombay-based Essar group, have already done their homework. "Our application is ready," says Mr Ravi Ruia, a director.

Once the new funds flood in, too much money may end up chasing too few scrips. However many observers believe the markets will remain buoyant because of an expanding investor population.

Ten years ago, there were 2m investors, most of them businessmen. Though no reliable figures are available, analysts believe that there are between 14m and 15m investors in India today.

Currently, the Indian capital market is like a roulette table where everyone wins. Nobody wants to predict the future.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed Mar 4 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Mar 3 Index No.	Mon Mar 2 Index No.	Fri Feb 28 Index No.	Year ago (approx) Index No.
1	CAPITAL GOODS (178)	799.05	+0.3	8.19	5.97	[illegible]	1.41	796.39	795.03	795.89	872.60
2	Building Materials (23)	972.42	+0.2	7.15	6.39	18.84	0.44	970.18	973.62	976.31	1165.52
3	Contracting, Construction (28)	904.20	-0.1	8.69	8.07	16.65	1.32	904.84	896.12	893.94	1409.40
4	Electricals (7)	2473.44	+1.8	8.50	6.06	15.49	1.47	2429.43	2434.60	2442.31	2396.19
5	Electronics (26)	1890.84	+1.6	9.61	4.53	13.19	1.86	1860.20	1854.05	1858.34	1845.79
6	Engineering-Aerospace (8)	339.99	+1.0	12.25	7.66	9.87	5.78	336.04	334.90	333.15	466.48
7	Engineering-General (43)	494.47	+0.5	9.37	4.78	13.17	1.21	491.90	491.52	493.90	449.16
8	Metals and Metal Forming (10)	324.43	+0.9	2.14	10.55	-	0.00	321.63	319.99	321.97	488.25
9	Motors (14)	318.10	+2.1	7.31	7.48	18.73	0.00	311.50	314.22	313.45	359.25
10	Other Industrial Materials (19)	1583.81	-0.9	7.74	5.20	15.32	0.69	1598.45	1591.44	1590.84	1517.07
21	CONSUMER GROUP (188)	1669.96	-0.6	7.17	3.35	17.05	4.74	1680.13	1677.39	1686.14	1400.70
22	Brewers and Distillers (23)	2101.13	-0.7	7.64	3.37	15.79	7.92	2116.06	2117.41	2126.72	1725.99
25	Food Manufacturing (18)	1266.66	.....	8.61	4.07	14.32	2.11	1266.18	1268.48	1271.40	1160.50
26	Food Retailing (17)	2665.44	.....	8.28	3.11	15.70	4.06	2664.36	2649.98	2685.08	2561.90
27	Health and Household (24)	4291.22	-1.3	6.27	2.43	18.09	15.12	4345.77	4344.00	4367.19	3078.53
29	Hotels and Leisure (23)	1291.21	-0.3	7.20	5.22	17.30	8.54	1295.49	1300.31	1306.95	1383.25
30	Media (24)	1568.43	-1.1	6.23	3.48	20.19	2.97	1586.16	1572.05	1564.54	1401.60
31	Packaging, Paper & Printing (17)	765.90	+0.3	6.85	4.38	17.43	0.22	763.98	759.73	760.02	653.76
34	Stores (32)	1074.12	-0.4	6.87	3.36	19.29	1.91	1078.34	1073.13	1082.38	877.22
35	Textiles (10)	656.22	+0.9	6.99	4.74	16.25	0.53	650.33	650.08	659.00	525.14
40	OTHER GROUPS (116)	1238.74	.....	9.70	5.34	13.00	6.41	1238.77	1233.79	1238.16	1196.69
41	Business Services (16)	1394.27	-0.3	6.59	4.63	19.28	0.27	1398.89	1400.79	1404.36	1159.19
42	Chemicals (21)	1513.58	.....	6.95	4.84	17.60	0.59	1513.61	1507.74	1511.20	1292.04
43	Conglomerates (11)	1334.35	-0.3	10.69	7.58	11.42	3.18	1338.22	1336.47	1341.36	1554.40
44	Transport (14)	2435.45	+0.4	5.21	4.65	25.34	2.46	2424.56	2417.52	2411.16	2223.12
45	Electricity (16)	1249.93	-0.2	14.32	5.95	9.11	17.21	1251.97	1239.33	1239.04	1149.27
46	Telephone Networks (4)	1434.28	+0.6	10.94	4.37	11.94	16.02	1425.84	1416.46	1421.90	1359.96
47	Water (10)	2473.35	+0.2	17.25	6.43	6.39	0.00	2468.08	2441.96	2488.22	2473.04
48	Miscellaneous (24)	1774.56	-1.1	5.77	5.50	23.65	1.18	1794.38	1802.93	1812.53	1901.91
49	INDUSTRIAL GROUP (482)	1313.61	-0.3	8.14	4.43	15.33	4.43	1316.95	1313.81	1319.04	1212.33
51	Oil & Gas (18)	2058.25	+0.1	9.29	6.90	14.17	36.07	2055.64	2038.63	2045.78	2362.72
59	500 SHARE INDEX (500)	1383.71	-0.2	8.26	4.69	15.20	6.70	1386.69	1382.54	1387.97	1309.88
61	FINANCIAL GROUP (86)	732.05	.....	-	6.23	-	2.61	732.04	727.04	723.18	831.90
62	Banks (9)	916.57	.....	4.11	5.90	57.18	6.20	916.71	911.57	904.95	924.63
65	Insurance (Life) (6)	1458.93	+0.4	-	5.85	-	0.00	1452.83	1444.62	1452.12	1468.22
66	Insurance (Composite) (7)	484.46	+0.9	-	7.89	-	0.00	480.01	468.62	463.89	712.79
67	Insurance (Brokers) (10)	1000.36	-0.1	7.73	6.68	17.02	2.37	1001.23	981.40	969.19	1103.20
68	Merchant Banks (7)	471.39	-0.5	-	4.54	-	0.00	473.85	473.20	473.33	427.82
69	Property (33)	726.56	-1.1	7.91	6.24	17.29	0.93	734.43	738.96	734.79	1054.81
70	Other Financial (14)	246.91	+0.1	8.06	7.07	16.39	0.89	246.73	246.34	247.12	287.23
71	Investment Trusts (68)	1194.95	+0.1	-	3.69	-	4.11	1193.86	1192.48	1193.03	1196.49
99	ALL-SHARE INDEX (654)	1228.42	-0.2	-	4.84	-	5.72	1230.64	1226.46	1229.84	1192.56

	Index No	Day's Change	Day's High (a)	Day's Low (b)	Mar 3	Mar 2	Feb 28	Feb 27	Feb 26	Year ago
FT-SE 100 SHARE INDEX‡	2558.4	-7.0	2569.9	2558.4	2566.4	2554.3	2562.1	2562.0	2565.0	2459.9

FIXED INTEREST

	PRICE INDICES	Wed Mar 4	Day's change %	Tue Mar 3	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (27)	122.63	-0.10	122.75	2.23	1.65
2	5-15 years (25)	136.04	-0.51	136.74	1.83	3.11
3	Over 15 years (9)	147.01	-0.79	148.18	2.93	0.88
4	Irredeemables (6)	162.27	-0.77	163.53	2.31	1.50
5	All stocks (67)	134.37	-0.40	134.91	2.13	2.40
	Index-Linked					
6	Up to 5 years (2)	170.56	+0.11	170.38	0.19	1.37
7	Over 5 years (9)	149.26	-0.16	149.50	0.70	0.90
8	All stocks (11)	151.06	-0.12	151.23	0.63	0.95
9	Debs & Loans (62)	117.79	-0.50	118.38	2.21	2.07

	AVERAGE GROSS REDEMPTION YIELDS		Wed Mar 4	Tue Mar 3	Year ago (approx.)
	British Government				
1	Low	5 years	8.69	8.60	9.36
2	Coupons	15 years	9.26	9.17	9.68
3	(0%-7¾%)	20 years	9.26	9.17	9.84
4	Medium	5 years	9.47	9.39	10.34
5	Coupons	15 years	9.34	9.25	10.09
6	(8%-10¾%)	20 years	9.31	9.22	10.01
7	High	5 years	9.70	9.63	10.39
8	Coupons	15 years	9.44	9.34	10.26
9	(11%-)	20 years	9.38	9.28	10.17
10	Irredeemables		9.44	9.36	10.01
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	3.52	3.54	3.72
12	Inflation rate 5%	Over 5 yrs.	4.31	4.29	4.14
13	Inflation rate 10%	Up to 5 yrs.	2.86	2.88	2.31
14	Inflation rate 10%	Over 5 yrs.	4.13	4.11	3.98
15	Debs &	5 years	10.91	10.81	11.86
16	Loans	15 years	10.69	10.62	11.61
17		25 years	10.52	10.46	11.40

‡Opening index 2569.9; 9 am 2567.6; 10 am 2559.7; 11 am 2562.9; Noon 2565.7; 1 pm 2566.6; 2 pm 2566.9; 2.30 pm 2567.5; 3 pm 2563.8; 4.10 pm 2561.0; (a) 8.30am (b) 4.29pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	70	7
Other Fixed Interest	2	12	3
Commercial, Industrial	266	211	998
Financial & Property	139	116	535
Oil & Gas	22	11	59
Plantations	0	1	8
Mines	12	55	83
Others	54	32	48
Totals	498	508	1,741

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amt. Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991/92 High	1991/92 Low	Stock	Closing Price p	+or-
285	Nil	30/3	38pm	18½pm	BTP 10p	21pm	
105	Nil	3/4	12pm	1½pm	Bromsgrove Inds.	1½pm	
415	Nil	28/3	80pm	50pm	ECC	72pm	-1
115	Nil	12/3	16pm	12pm	Parvair 2p	14pm	
58	Nil	30/3	12½pm	9½pm	Seaber Engineering 10p	11pm	
30	Nil	11/3	4½pm	2½pm	Wembley 5p	3pm	
4	Nil	3/4	½pm	½pm	West Trust	½pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. F Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

LONDON TRADED OPTIONS

Option		CALLS			PUTS		
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings March 2
- Last Dealings March 13
- Last Declarations June 11
- For settlement June 22

3-month call rate indications are shown on this page.

Calls in Berisford Intl., Clyde Petrlm., Enterprise Computer, Flextech, Ingham, News Intl., Palmerston, Trafalgar Hse., Unitech and Wharfedale. Puts in Speyhawk and TI Group.

TRADITIONAL OPTION 3-month call rates

	p								
INDUSTRIALS		Charter Cons.	40	Ladbroke	17	Sears	7½	**OILS**	
Allied-Lyons	55	Comm Union	38	Legal & Gen	37	SmKl Bchm A	78	Aviva Pet	1¼
Amstrad	3	Courtaulds	39	Lex Service	18	TI	48	BP	22
Astec (BSR)	3	Eurotunnel	39	Lloyds Bank	31	TSB	10½	Burmah Castrol	40
BAT Inds	68	FKI	5½	Lonrho	20	Tesco	17	Conroy Pet	7½
BOC	48	FNFC	12	Lucas Inds	9	Thorn EMI	65	Gaelic Res	½
BTR	32	Forte	19	Marks Spencer	22	T & N	11	Premier Cons	3
Barclays	31	GKN	25	Midland Bank	19	Unilever	70	Shell	37
Blue Circle	22	Gen Accident	38	NatWest Bank	24	Vickers	14	Tuskar Res	1
Boots	33	GEC	15	P & O Dfd	34	Wellcome	75	**MINES**	
Bowater	56	Glaxo	70	Racal Elect	4½	**PROPERTY**		RTZ	39
Brit Aerospace	27	Grand Met	78	RHM	16	Brit Land	21		
British Steel	6	GRE	11	Rank Org	45	Land Sec.	38		
Brit Telecom	24	Hanson	16	Ratners	5	MEPC	31		
Cadburys	35	ICI	90	Reed Intl	40	Mountleigh	2½		

كلا مصر المرور

BUSINESS LAW

US privatisation advances at federal level

By Joseph Flom

Before heading home for the Thanksgiving holiday last November, the United States Congress completed the arduous process of hammering out the Inter-Modal Surface Transportation Efficiency Act of 1991. President Bush is expected promptly to sign the $151bn public works measure.

This legislation redirects federal spending towards regional transportation, bridges, roads and tunnels in co-operation with the private sector. It represents a significant change from the focus on big, new inter-state highways which has prevailed since the Eisenhower administration. Under the Act, more money will be spent in the next six years than in any previous infrastructure programme.

In many respects, the legislation, in a new manner, harnesses the private sector in the task of re-building America's infrastructure.

Underlying the legislation is the recognition that America is in the midst of an infrastructure crisis and that private participation is necessary for recovery. Over the last 20 years, non-military investment in infrastructure – principally bridges, roads and tunnels – as a fraction of gross national product has been only 65 per cent of America's average level during the preceding two decades. This is a decline from 3.7 per cent to 2.4 per cent of GNP. When depreciation is taken into account, the rate of non-military investment in infrastructure and public works in the 1980s has been only half that of the 1970s and just one quarter that of the 1950s and 1960s.

In a recent study, the economist David Aschauer demonstrates that the fall in investment in infrastructure over the past quarter century has been an important cause of the US economy's poor performance since 1970. More than half of the decline in US productivity in that period can be explained by lower infrastructure spending.

Mr Aschauer calls the shortfall between the current stock of infrastructure and the present need for infrastructure capital America's Third Deficit – as distinct from the other two: the internal and external deficits.

Mr Aschauer concludes that a 1 per cent increase in the current level of core US physical infrastructure (defined as roads, bridges and mass transit) would increase GNP by nearly a quarter of 1 per cent.

He is not the only economist who has noticed this relationship. In the most recent Economic Report of the President, Michael Boskin, chairman of the president's Council of Economic Advisers, asserts that "inadequate government infrastructure can impede improvements in productivity growth" and that "taking advantage of productive opportunities to maintain and improve infrastructure is an important part of federal, state, and local government policies to raise economic growth".

The Congressional Budget Office estimates that $800bn is needed in additional spending on infrastructure to 2000.

Economists generally agree that more money needs to be invested in America's infrastructure. But the likely size of next year's federal deficit makes it unrealistic to expect that the federal government will spend the requisite amount. Some money will have to come from state and local governments, but their budgets are also strained. Most state and local governments are in a terrible financial condition. They have poor credit ratings and are up against debt ceilings. Accordingly, a significant portion of the cost of infrastructure improvement will have to come from other sources.

In the past, it has not been the policy of the federal government and the states to encourage private-sector financing of infrastructure development. As a result, Americans have been in the anomalous position of spending billions of dollars of private capital to build foreign infrastructure, while ignoring their own.

The Bill is a significant step towards federal government encouragement of private involvement in infrastructure improvement. It reflects the recent accelerating trend toward privatisation at the state and municipal levels detailed in my September 19 1991 article in this column – "Double standards in the US".

The US Department of Transportation issued a report in March 1990 – National Transportation Policy. This outlined the Bush administration's transport goals, called for government at all levels to promote private-sector involvement in transport infrastructure. In its wake, several states – California and Virginia in particular – introduced legislation to develop highway "privatisation" projects. With the passage of the Inter-Modal Surface Transportation Efficiency Act of 1991, the federal government itself will take the initiative.

In the Act, the federal government authorises the imposition of tolls on federally-subsidised bridges, roads and tunnels (other than those on the Interstate system) to finance their construction or rehabilitation. Toll revenues may be set aside to provide a reasonable rate of return to private investors.

Previously, tolls have been restricted to only a small number of facilities. More important, for the first time since federal aid to highways began in 1916, the legislation permits bridge, road and tunnel toll projects to be privately-owned and permits substantial federal subsidies to private investors willing to undertake transportation infrastructure investments.

A federal subsidy of up to 50 per cent of costs is allowed for private investors willing to build new roads or rehabilitate existing bridges, roads or tunnels. A federal subsidy of up to 80 per cent is allowed to private investors willing to construct new bridges or tunnels or replace existing bridges or tunnels. As an additional incentive, states will be permitted to lend all or part of the federal subsidies rather than transfer them directly to the entities undertaking the projects.

The financial community will now be called upon to decide how best to employ these financial arrangements. It will, however, be up to the states to take advantage of this new flexibility. There is no assurance that the states will act. While the provisions of the legislation are not mandatory, given the dimensions of the US infrastructure crisis and the budgetary constraints on the states and municipalities, we can expect this legislation to further accelerate privatisation by states and municipalities.

The passing of the Act should provide help for rebuilding dilapidating infrastructure, while providing a unique area for new investment activities in the US.

The author is the senior partner of the New York based international law firm of Skadden, Arps, Slate, Meagher & Flom.

A record year despite sluggish or falling sales in some markets

Cadbury Schweppes climbs 13%

By Guy de Jonquières, Consumer Industries Editor

CADBURY SCHWEPPES, the confectionery and soft drinks manufacturer, increased pre-tax profits by 13.2 per cent to *£316.4m last year. In spite of* sluggish or declining sales in some important markets.

Sir Graham Day, chairman, said the results marked "a record year in every single respect." They reflected firm cost controls and continued high levels of investment to improve efficiency and strengthen the company's brands.

Mr Dominic Cadbury, chief executive, expected business conditions to remain tough this year, though he was optimistic about prospects for the important *Easter season.*

The pre-tax results, for the year to December 28, were at the top end of market expectations and compared with £279.6m a year ago.

Sales rose 2.7 per cent to £3.23bn (£3.15bn), while trading margins increased to 11.2 per cent (10.6 per cent).

In the UK, trading profits rose 9.2 per cent to £162.2m on a 2 per cent increase in sales to £1.51bn. The company consolidated recent market share gains in chocolate and increased its share of sweets sales, though a decline in leisure purchases reduced beverage sales by 2.8 per cent in value and 8 per cent in volume.

Tony Andrews

Dominic Cadbury (left) and Sir Graham Day

In continental Europe, trading profit rose 12.1 per cent to £76.2m on sales of £655.8m, up 2.8 per cent. Trading profit improved strongly at Poulain, the company's French chocolate subsidiary, while the merged Oasis and Schweppes beverage business in France performed well.

Sales by the recently-formed Apollinaris-Schweppes joint venture also made a strong start in Germany and Austria.

Though sales in the Americas rose 8.6 per cent to £438.3m, the biggest increase in any region, poorer beverages results reduced profits by 1.2 per cent to £42.8m. This was despite a 6.6 per cent growth in the company's US carbonated drinks volumes.

Pacific Rim sales fell 0.9 per cent to £491.2m, but trading profit grew 10.1 per cent to £64.5m.

Overall, operating profit on confectionery operations totalled £170.2m (£163m) on sales of £1.39bn (1.32bn). In the beverage business, operating profit was £192.3m (£170.9m) on sales of £1.84bn (£1.82bn).

Positive cash flow reduced net borrowings by £31m to £333m, contributing to a drop in gearing to 39 per cent (49 per cent).

Capital investment increased 9.3 per cent to £232m, while marketing spending rose 5.6 per cent to £343m.

Earnings per share increased 9.6 per cent to 27.73p (25.29p).

The final dividend is raised to 9.3p (8.5p), bringing the full year total to 12.5p (11.5p).

See Lex

Steetley on offensive over claims in Spain by Redland

By Andrew Taylor, Construction Correspondent

STEETLEY, which is fighting a £600m takeover bid from Redland, the rival building materials group, yesterday moved onto the offensive over allegations that it had over-estimated its Spanish aggregate reserves.

Redland, which had hired independent geologists to investigate Steetley's quarries in France and Spain, claimed at the weekend that the reserves of five companies in the Madrid area were much less than Steetley had implied when it bought the businesses for £24.6m in 1988.

Mr David Donne, Steetley chairman, said yesterday that Redland's claims were inaccurate and based on a meeting which had not taken place.

He said that the mayor of Velilla de San Antonio had denied having met the geologists as they had claimed.

The investigation for *Redland* was conducted by the Spanish arm of BRGM, the French institute of geology.

In a letter to Redland, the geologists had said that their findings had been based on site inspections, geological studies and interviews with local people, including the mayor.

They had concluded that the reserves were no more than 30m tonnes and that planning permission was likely to be granted for only half of this because of plans to establish a nature reserve in the area.

Mr Donne said yesterday that Redland had conducted an "over-the-wall geological study and got it wrong badly".

Steetley had commissioned a full study prior to making the acquisitions. This showed that there were 59m tonnes of sand and gravel reserves.

When it acquired the businesses in 1988, the group had said that there were 30 years' worth of proven sand and gravel reserves at current rates of production. Redland said that this had implied reserves of at least 48m tonnes.

Last night Mr Donne noted that BRGM had also conducted a survey of Steetley's French reserves which had also claimed that they were much lower than had previously been thought.

Redland said last night: "An independent assessment of Steetley's Spanish assets was done at our request. Its findings included the fact that part of these reserves are situated in an area proposed as a nature reserve. This has not been disputed by Steetley and it demonstrates the great difficulty in placing values on these assets."

See Lex

British Vita launches £73.4m rights for possible takeovers

By Angus Foster

BRITISH VITA, the Manchester-based polymer, fibre and foam company, is *raising about £73.4m* through a 1-for-5 rights issue to finance possible future acquisitions.

Mr Rod Sellers, chief executive, said the company had no specific targets but wanted to be ready if opportunities, principally in Europe, arose. Mr Bob McGee, chairman, said: "We are at a crossroads right now, and we want to drive on into Europe".

The rights issue, which is fully underwritten, is being arranged by Kleinwort Benson Securities and is priced at 212p. The shares fell 7p to 258p yesterday.

The company also announced a slight drop in pre-tax profits to £50.4m (£54.2m) for the year to end-December. The fall was due to a lower contribution from associates which dropped to £1.6m (£5.9m). The company's share of losses from Spartech, its 29 *per cent-owned US associate,* totalled £2.3m.

Sales in the UK and Spain were affected by recession but in Germany, the company's largest market after the UK, demand remained stable.

Earnings fell to 16.9p (18.8p). The directors are recommending a final dividend of 3.6p to make a total of 7.05p (6.7p).

Acquisitions made during the year in the Netherlands and US cost £43m. Gearing increased slightly to 20 per cent on shareholders funds of £164m.

● COMMENT

Calling on shareholders in current market conditions without a specific reason is a little cheeky. But judging from the share price, which remained firm after an initial drop, British Vita has got away with it. That is partly because of the company's good track record, and partly because even its problem areas look containable. Its US associate has already been refinanced and made a small operating profit in the first quarter. Spain will take longer to turn round, but is small in comparison with the rest of the group. British Vita's strategy of picking up small acquisitions through Europe has already proved fruitful, and the company's decentralised management structure is likely to throw up increasing possibilities. Smith New Court has increased its forecast for this year to £59m, putting the shares on an adjusted earnings multiple of 15. While investors may want to take up their rights, the shares are fully valued.

British Polythene ahead 16%

By Angus Foster

BRITISH Polythene Industries, the UK's largest polythene film products maker, yesterday announced a 16 per cent increase, to £10.3m, in pre-tax profits for 1991.

Mr Cameron McLatchie, chairman, said the results were due to resilience among its retailing customers like J Sainsbury and to cost cuttings which improved margins.

But the industrial division, which produces products such as fertiliser bags and packaging for building supplies, saw falling volumes and tighter margins.

Turnover, which dipped to *£156.1m (£158.4) because of dis*continued operations, was helped by a final quarter contribution from Courtaulds Plastic Films, taken over in September and renamed Brithene.

A sharply reduced interest charge, down nearly £1m to £1.98m, reflected lower polymer prices, which reduced borrowings, and proceeds from the October rights issue. Gearing fell to 13 per cent to 50 per cent.

Fully diluted earnings increased 10 per cent to 23.79p per share. A final dividend of 6p makes a total of 9p (8.25p).

● COMMENT

British Polythene's shares have outperformed the market by 70 per cent in the last year and these results show why. The company is gaining a reputation for its management and has come through difficult trading conditions for its industrial products yet has improved overall margins by 18 per cent at the pre-tax profit level. Looking ahead, the company's recycling business looks interesting, gaining big name customers despite a price disadvantage following the fall in "virgin" polymer prices. There is significant potential for this division should environmental awareness continue to grow or polymer prices return to historical levels. Henderson Crosthwaite is forecasting profits of £12.5m for this year, putting the shares on 16 times earnings. That is starting to look expensive, but yesterday's 7p rise in the share price to 415p suggests the City is comfortable at these levels.

Templeton Galbraith up to $69m

By Philip Coggan, Personal Finance Editor

A JUMP in profits from its treasury activities helped Templeton, Galbraith and Hansberger, the Bahamas-based fund management group, to announce yesterday a 9.5 per cent increase in pre-tax profits in the calendar year 1991.

Operating profits of the company, which reports in dollars, edged only slightly up from $55.5m to $56m (£31.8m), but other operating income – consisting of profits on treasury activities such as bond trading – grew from $8.3m to $13.6m.

This helped pre-tax profits rise from $63.1m to $69.1m and earnings per share increase from 36.3 cents to 39.5 cents.

The group also announced a 40 per cent rise in its final dividend to 14 cents (10 cents), making a total of 21 cents per share (15 cents).

The shares rose 10p to 317p on the news.

Templeton is proposing changes in the charging structure of its mutual funds, the US equivalent of unit trusts. At present Templeton funds have a high initial charge (the so-called front end load).

Much of the US industry has moved to a lower initial load, with a sliding redemption charge on investors who sell their holdings within seven years.

The group believes a change in its charging structure will lead to an increase in sales.

Although funds under management rose 20 per cent from $15.9m to $19.1bn, this was mainly due to investment performance and rising markets.

Lower mutual fund sales resulted in a fall in distribution costs from $62.35m to $49.9m. But administrative expenses rose from $57.8m to $69.3m, reflecting increased staff levels and competitive pressures on pay.

● COMMENT

Templeton's shares have risen almost 50 per cent since the group last announced its annual results and now stand on a historic p/e of about 14, based on last night's foreign exchange rates. Despite the confident 40 per cent increase in the dividend, investors might be wondering whether it is time for the shares to take a breather. The company is about to undertake what might be a difficult shift in its mutual fund charging structure; its administrative costs have risen sharply; the bulk of its profits increase came from the (perhaps unrepeatable) treasury gains; and the US stock market has had a very good run. That said, the company's financial position is strong and those who agree with Templeton's bullish views for equities in the 1990s will not be daunted.

BBC buys Noddy books

By Bronwen Maddox

BBC Enterprises, the commercial arm of the BBC, has bought the rights to Enid Blyton's Noddy books from the administrator of Maxwell Communication Corporation.

The 24 Noddy titles, published by Queen Anne's Press, were part of Macdonald, MCC's UK book subsidiary. Price Waterhouse, appointed MCC's *administrator last year after* the collapse of the late Mr Robert Maxwell's business empire, last month sold the rest of Macdonald. However the buyer, Little Brown, a US publisher specialising in art books, declined to take the Noddy titles.

The BBC has commissioned a Noddy cartoon series from Cosgrove Hall, the cartoon-making arm of Thames Television, which currently holds the franchise for London weekday broadcasting.

BOARD MEETINGS

TODAY

Interims- Brierley Invs, Raine Inds, Renishaw, TR City of London Trust.

Finals- French Property Trust, Holders Technology, Ladbroke, Life Sciences Intl, MTL Instruments, MTM, More O'Ferrall, Northern Engineering Inds, Pentland, Pentos, Radius, Readymix, Rolls-Royce, Sema, Singapore Para Rubber Estate, Singer & Friedlander, TLG Range.

FUTURE DATES

Interims-	
Barratt Developments	Mar 25
Gent (SR)	Mar. 11
Golden Hope Plantations	Mar. 18
Maunders (John)	Mar. 18
Sirdar	Mar. 12
Sycamore	Mar 30
Finals-	
Ash & Lacy	Apr. 1
Aster BSR	Mar 21
BBA	Mar. 9
Baynes (Charles)	Mar. 12
Bullers	Mar 10
CMS Packaging	Mar. 25
Clondalkin	Mar 10
Delta	Mar. 16
EFT	Mar. 12
Fisher (James)	Mar 18
IMI	Mar. 16
Jones (A)	Mar. 12

Expansion at Intrum Justitia

By Richard Gourlay

INTRUM JUSTITIA, the debt collection agency, yesterday reported a 35 per cent jump in profits and a £6m acquisition in France.

The company that is bringing respectability to what has often been the less than genteel task of chasing up late payers, increased pre-tax profits in the year to December from £8.65m to £11.6m on sales up 48 per cent at £75.5m.

Earnings per share rose 20 per cent to 9.1p and the company will pay a final dividend of 1.6p, bringing a total for the year to 2.4p, up 33 per cent on the previous 12 months.

Mr Bo Göranson, the founder and chairman, said the acquisition of Eureco, a Strasbourg-based debt collection agency with six branches throughout France was the latest move in *the creation of a Europe-wide* operation.

A quarter of the increase in sales came from organic growth with the balance from a full year's contribution from Cas, the UK company bought in 1990, and Dutch and Danish acquisitions during the year.

Sweden, where Mr Göranson founded his company, Finland and Switzerland had been particularly successful and consumer credit collection in the UK had also seen strong growth.

"Our business is recession resilient," said Mr Göranson. "We do well in both a good and bad economic climate."

Intrum Justitia, with Dun & Bradstreet, the credit rating and debt collection agency, is also actively supporting a campaign by the Forum of Private Business to introduce an automatic legal right to charge interest on overdue commercial debts.

If such legislation is introduced, or standardised in the UK with European practise, Intrum's commercial business in the UK would receive a substantial boost.

Mr Gert van Laar, chief executive, said Intrum has just been awarded a trial contract in Leeds to collect overdue TV license fees.

Chrysalis buys 899,000 shares for cancellation

By Andrew Bolger

Chrysalis, the record, communications and media company which its founder, Mr Chris Wright, recently failed to take private, has in the last week bought in 899,000 of its own shares for cancellation.

The company, which said last month it could not persuade one sizeable shareholder to accept its offer of 95p per share, paid 72p for most of the shares, and 71p for the rest. Chrysalis' shares yesterday closed unchanged at 74p.

The cancellation of these shares increases Mr Wright's stake in the company to 49.5 per cent.

Commercial Union launches environmental trust

By John Authers

COMMERCIAL UNION, the composite insurance group, is launching an investment trust which will aim to take advantage of increases in environmental protection expenditure.

CU is the second insurance company, and the first composite, to launch an investment trust.

Unlike other recent trust launches, which have been aimed at the retail market, the Commercial Union Environmental Trust will be placed almost exclusively with institutional shareholders.

Shares will be available for large intermediaries, if they are interested, but CU is making no attempt to market the shares directly to the public.

The company is also considering further investment trust launches.

The trust will have no geographical limitations, and will invest primarily in smaller specialised companies which stand to benefit from increased expenditure on environmental protection.

It is aiming to raise up to £30m during its launch period which lasts until March 25. Dealing will start on April 3. The ordinary shares will be priced at 100p each, with warrants attached on a 1-for-5 basis.

UK COMPANY NEWS

CRH declines by 25% to I£62.6m as recession bites

By Andrew Taylor, Construction Correspondent

THE RECESSION has finally caught up with CRH, the international building materials group and one of Ireland's biggest companies.

The group yesterday announced that pre-tax profits last year fell by a quarter from I£83.5m to I£62.6m (£58.1m).

However, the figures, accompanied by a 7.5 per cent dividend increase, will be better than most UK building materials companies will announce during the next few weeks.

The group has already paid a second interim dividend, in lieu of a final, of 4.3p making a total of 6.45p (6p), which is covered 2.7 times by earnings of 17.46p (23.2p) per share.

This comes at a time when some large construction groups will be able only to maintain dividend payments by dipping into reserves.

Mr Tony Barry, chief executive, said that the group's resilience had been due to the broad geographical spread of its businesses divided evenly between the Republic of Ireland, the UK, continental Europe and the US.

Even so last year was difficult for the group as European and US construction markets came under pressure.

Operating profits fell in all four divisions as turnover declined by 6 per cent from I£1.22bn to £1.15bn.

The biggest falls were in the UK where profits tumbled by 72 per cent to just I£4.36m (I£15.4m) and in the US where profits fell 29 per cent to I£13.6m.

The UK's contribution to group operating profits has fallen from about 25 per cent three years ago to 5 per cent last year.

> CRH's figures, accompanied by a 7.5 per cent dividend increase, will be better than most UK building materials companies will announce during the next few weeks.

Irish profits, affected by lower domestic construction and reduced exports to a depressed UK market, fell by 5 per cent from I£42.6m to I£36m.

Continental European profits fell by just 3.1 per cent to £30.1m helped by a strong performance from recent German purchases. Profits in Spain and the Netherlands, however, dipped slightly.

Mr Barry warned that this year was likely to be just as difficult with construction output forecast to fall further in many of the countries in which the group operates.

Nonetheless, it was continuing to generate a positive cashflow and its balance sheet was secure.

Gearing, including convertible capital bonds as debt, fell from 51 per cent to 37 per cent by end-December.

If the bonds were classed as equity gearing fell from 14 per cent to 5 per cent, Mr Barry said.

COMMENT

The recession is really biting if a company with CRH's spread of businesses is starting to feel the chill. This year does not look like being much better than the last two. Few building material companies, however, are as in good a shape as CRH, illustrated by the group's I£41m positive cashflow last year. A similar position is likely in the current year when pre-tax profits may be a same again I£62m. This would put the group on a p/e of 13 which looks cheap given the quality of the businesses and the balance sheet. The stock (perhaps because it is Dublin-based) has traditionally traded at a discount to the sector. It deserves better.

Clarke named chief executive of Hanson Ind

By Roland Rudd

LORD WHITE, one of the twin architects of the growth of Hanson, yesterday paved the way for his successor by announcing that Mr David Clarke had been named as deputy chairman and chief executive of Hanson Industries, the congolmerate's US arm.

Mr Clarke, aged 50, was introduced by Lord White, chairman of Hanson's US arm, as his successor at a meeting of fund managers and analysts in London last month.

Mr John Raos, one of the group's chief operating officers has been promoted to president.

The decision to name Mr Clarke as deputy chairman of Hanson Industries increased speculation that Lord White might step down as chairman before he is due to retire in 1996.

Mr Clarke, a director of Hanson plc since 1989, has served as president and chief operating office of Hanson Industries since 1978.

Both men were yesterday described by Lord White as skilled practitioners of the Hanson philosophy.

Strong demand boosts Victaulic

By Roland Rudd

VICTAULIC, the pipe and fittings maker, continued to benefit from strong demand from its main markets, the gas and water industries, which helped lift pre-tax profits by 24 per cent from £11.5m to £14.3m in 1991.

The water and gas industries accounted for 78 per cent of sales, ahead to £114.8m (£99.6m).

The shares yesterday rose by 41p to 786p.

Capital spending by the water service companies benefited Stewarts & Lloyds Plastics, which produces polyethylene pipes for water distribution, and, to a lesser extent, Viking Johnson, which is involved in the refurbishment of water mains.

Mr David Stewart, managing director, said the market for gas pipe and fittings had held up well despite the recession, although the low level of new house construction inevitably affected demand for small diameter service pipe and fittings.

Construction declined because of reduced demand from the fire protection industry and the completion of the main contracts for the Channel tunnel project.

A net cash balance at the year-end of £9.7m compared with net borrowings of £500,000 the year before. Working capital fell from £4.5m to £3.4m.

Earnings per share increased from 34.9p to 42.5p. A final dividend of 10p makes a total of 14.7p (12p). A 1-for-1 scrip issue is also proposed.

Welpac plans two buys placing and open offer

WELPAC IS planning two acquisitions and a placing and open offer to fund both the purchases and the further expansion of the company.

The hardware and electrical goods wholesaler and distributor is to buy Anderson & Firmin, a supplier of gardening hardware products, and a 40 per cent stake in Kibro Elbert Glove, a maker of gardening gloves, for an initial £925,000 and a further maximum of £225,000.

The second proposed acquisition is of TJ Harwood, a supplier and packager of door furniture and other hardware products, for an initial £750,000 for a 51 per cent stake and further consideration of up to £1.96m for the balance.

In addition the company is to establish, with Brauckmann & Probsting of Germany, a joint venture for the distribution of Stanley branded hardware products in that country.

To gain the £2.03m cash for the acquisitions and to provide working capital for the enlarged group and the joint venture, Welpac is to raise about £3.54m net via an issue of 20.8m subscription shares. These, with the 4.34m of the consideration shares issued to the vendors of Anderson & Firmin, will be subject to a placing and open offer on a 1-for-2.308619 basis at 19p per share.

Alma to close its factories

By James Buxton

Alma Holdings, the unquoted Scottish confectionery maker which went into receivership on February 21, is to close its four factories and make its 461 employees redundant.

Mr Rod Owen, joint receiver from Peat Marwick, said that a significant number of Alma's customers had transferred their business elsewhere making keeping the plants going impossible.

More than 200 jobs are to go at two plants in Dundee, 150 at Glenrothes and Kircaldy, Fife and the remainder in the sales office in Manchester. Some 115 staff are to be retained in the short term to assist with closing the plants.

Reuters shares fall as delays hit Globex

By Andrew Bolger

SHARES IN Reuters Holdings closed down 39p at £11.86p yesterday after a technical problem forced the financial information and news company to postpone a test of Globex, its screen-based system for trading futures and options.

Reuters said the problem was encountered at an early stage of Tuesday's test of 250 key stations in Chicago, London and Paris. The test would be rescheduled after analysis of the difficulty, which is believed to have been caused by a bug in the software.

Globex is being created jointly by Reuters with the Chicago Board of Trade and the Chicago Mercantile Exchange and is to be launched later this year.

Reuters is still expected to launch soon the long-delayed second phase of Dealing 2000, its automated trading system which enables foreign exchange traders to complete transactions on-screen.

Reuters shares have risen strongly since the group last month reported a 6.3 per cent rise to £340.3m in annual profits, in spite of weak conditions in its traditional markets.

Acquisitive Heywood Williams falls to £19.2m

By Roland Rudd

HEYWOOD WILLIAMS, the UK's largest glass distributor, yesterday announced its seventh acquisition since last year's £28m rights issue as it unveiled a 17 per cent drop in pre-tax profits for the year ended December 31 1991.

The profits fall, from £23.1m to £19.2m, was struck on turnover up by 5 per cent from £331.5m to £347.4m and was mainly due to the depressed state of the UK construction industry.

Mr Ralph Hinchliffe, Heywood's chairman, said: "The whole of the fall can be put down to aluminium and glass connected with commercial buildings." He added that there were no real signs of an upturn in the UK.

The result, helped by last year's acquisition of Thorgar-Bardex, the Kettering-based manufacturer of windows and doors, was still above market expectations. The shares rose 8p to close at 331p.

Door Panels Group, a manufacturer of plastic door panels bought for £7.8m, will be incorporated into the group's growing plastics division, which presently accounts for one quarter of total sales.

Continental operations finished well ahead of 1990 and have recently been boosted by two new businesses in The Netherlands and France.

The group's US businesses were only just behind their 1990 result.

The UK workforce was reduced by 420 to a total of 5,380. In the US the Georgia manufacturing plant was closed and several glass operations in the UK were amalgamated.

Borrowings have fallen slightly to £20m, representing 20 per cent of shareholders' funds.

Earnings per share fell from an adjusted 22.8p to 17.2p. A final dividend of 8p is proposed, making a total for the year of 12.5p (12p adjusted).

COMMENT

There is not much Heywood Williams can do about depressed demand in one of its main businesses. Apart from a pick up in the home improvement market in the second half there is little chance of a significant upturn in UK housing or construction. The group has taken advantage of the low prices of plastic and glass business during the recession by snapping up seven companies in its last financial year. The plastics division is growing in size and profitability while the Continental glass operations are also providing better results. With expected full-year profits for 1992 of £26m, giving earnings per share of 21.1, the shares are trading on a prospective multiple of 15.6 compared to a sector average of 18.2. Given the expected increase in profits the shares look good value.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Bailey (Ben)	int	0.3	May 21	0.3	-	0.8
BICC	fin	13.25☆	July 1	13.25	19.25†	19.25
Brit Polythene	fin	6†	May 29	5.25	9	8.25
British Vita	fin	3.8	May 11	3.4	7.05	6.7
Cadbury	fin	9.3	May 29	8.5	12.5	11.5
City & Commercl	fin	5.67	Mar 31	5.27	9.91	9.2
Galliford	int	0.96	Apr 3	0.95	-	4.3
GKN	fin	12.5	May 27	12.5	20.5	20.5
Haggas (John)	int	1	Apr 24	nil	-	3
Heywood Williams	fin	8†	Apr 10	8	12.5	12.5
Intrum Justitia	fin	1.6	June 4	1.2	2.4	1.8
London Finance	fin	0.75	Apr 10	0.75	0.75	0.75
Metal Bulletin §	fin	5	Apr 24	4.5	7.4	6.9
Sinclair (Wm)	int	1.7†	Apr 3	1.8	-	6.7
Stat-Plus	fin	4	-	3.5	7.125	6.25
Templeton G'bth	fin	14★	May 4	10	21	15
Transfer Tech	fin	6.75	Jul 1	6	13‡	10‡
Victaulic	fin	10	May 15	8	14.7	12

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Scrip option. ‡Adjusted for consolidation and sub-division of 1p ordinary. ★US cents.

To Holders of

Federated Department Stores, Inc.

10⅛% Notes Due 1995
ISIN NO. 314099 AH 5 7
CUSIP NO. 314099 AH 5

11% Notes Due 1990
ISIN NO. 314099 AG 7 4
CUSIP NO. 314099 AG 7

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, as Trustee ("Trustee") under the Indenture dated as of July 9, 1985, by and between Federated Department Stores, Inc. ("Federated") and the Trustee and under the Indenture dated as of February 1, 1985 by and between Federated and the Trustee, provides the following to holders of the above-described Notes (individually, the "Federated 10⅛% Euronotes" and the "Federated 11% Euronotes," and collectively, the "Notes"):

On January 10, 1992, the United States Bankruptcy Court for the Southern District of Ohio, in the chapter 11 reorganization cases filed by Federated, Allied Stores Corporation, and certain of their subsidiaries (collectively, the "Debtors"), issued an order (the "Confirmation Order") confirming the Debtors' Third Amended Joint Plan of Reorganization dated October 28, 1991, as modified (the "Plan"). The Plan became effective on February 4, 1992. All capitalized terms not otherwise defined herein have the respective meanings set forth in the Plan.

All holders of the Notes and coupons appertaining thereto must surrender all such Notes and coupons to one of the paying agents indicated below or, in the case of registered Notes, to the Trustee for cancellation in order to participate in the distributions of cash and specified securities of New Federated to be issued in consideration for such Notes and coupons, in accordance with the terms of the Plan and the Confirmation Order.

ANY NOTES AND/OR COUPONS NOT SO SURRENDERED ON OR BEFORE FEBRUARY 4, 1997 WILL BE DEEMED CANCELLED AND ENTITLED TO NO DISTRIBUTIONS OR OTHER PAYMENTS.

Under the Plan, each holder of a Federated 10⅛% Euronote will be entitled to receive, upon surrender of each $5,000 principal amount of such Notes with all coupons attached: (i) $2,282.57795 principal amount of 10% Series B Secured Notes due February 15, 2000 of New Federated ("Series B Notes"), (ii) $1,511.81694 principal amount of Series D Secured Notes due August 15, 1997 of New Federated ("Series D Notes"), (iii) 103.45315 shares of Common Stock, $.01 par value, of New Federated ("Common Stock"), and (iv) subject to the rounding provisions described below, $49.15 in cash representing financing fees associated with the Series D Notes (the "Financing Fees"), payable by check drawn in U.S. Dollars to the order of the holder.

Under the Plan, each holder of a Federated 11% Euronote will be entitled to receive, upon surrender of each $1,000 principal amount of such Notes with the coupon due February 1, 1990 attached: (i) $482.14675 principal amount of Series B Notes, (ii) $319. 33965 principal amount of Series D Notes, (iii) 21.85231 shares of Common Stock, and (iv) subject to rounding provisions described below, $10.38 in cash representing the Financing Fees, payable by check drawn in U.S. Dollars to the order of the holder.

Notwithstanding the exchange ratios set forth in the preceding paragraphs, in accordance with the terms of the Plan and the Confirmation Order, Series B Notes and Series D Notes will be issued only in denominations of $1,000 and integral multiples thereof, and only whole numbers of shares of Common Stock will be issued. Accordingly, when any distribution to a holder of Notes and/or coupons would otherwise result in the issuance of Series B Notes or Series D Notes with an aggregate principal amount that is not an integral multiple of $1,000, the actual distribution of such Notes will be rounded to the next higher or lower integeral multiple of $1,000, as follows: (i) principal amounts of $500 or greater will be rounded to the next higher integral multiple of $1,000, and (ii) principal amounts of less than $500 will be rounded to the next lower integral multiple of $1,000. Similarly, when any distribution to a holder would otherwise result in the issuance of a number of shares of Common Stock that is not a whole number, the actual distribution of such shares of Common Stock will be rounded to the next higher or lower whole number as follows: (i) fractions of .50 or greater will be rounded to the next higher whole number, and (ii) fractions of less than .50 will be rounded to the next lower whole number. No consideration will be provided in lieu of principal amounts of Series B Notes or Series D Notes, or of fractional shares of Common Stock, that are rounded down. The Financing Fees will be an amount in cash equal to 3.25% of the initial aggregate principal amount of Series D Notes received by the initial holder thereof.

Holders of Notes without all unpaid coupons attached or holders of detached coupons should contact the Trustee to obtain information as to the cash and securities issuable upon surrender of each such Note and detached coupon.

If more than one Note is surrendered for exchange at any one time by the same holder, the number of Series B Notes, Series D Notes and shares of Common Stock and the amount of cash to be issued will be computed on the basis of the aggregate amount surrendered.

Holders should be aware that the Plan and the Confirmation Order provide that a substantial portion of the shares of Common Stock to be issued pursuant to the Plan will be subject to certain restrictions (the "Restrictions") which prohibit the sale or other disposition of the Common Stock. The Confirmation Order provides that 75% of the shares of Common Stock to be issued pursuant to the Plan to any person who is not a Small Holder (as defined below) will be subject to the Restrictions pursuant to the Agreement and Provisions Relating to Restrictions on Transfer of Certain Shares of Common Stock of Federated Department Stores, Inc. A Small Holder is any person that will be the "beneficial owner" of 2,000 shares or fewer shares of Common Stock as a result of distributions to any person pursuant to the Plan. Generally, a person will be the "beneficial owner" of shares of Common Stock distributed pursuant to the Plan if the person, alone or with others, will have or share the power to dispose of or direct the disposition of such shares. If a person is entitled to receive New Series A Warrants as the result of another Claim under the Plan, the person is deemed to be the "beneficial owner" of the shares of Common Stock issuable upon excercise of the New Series A Warrants.

The Confirmation Order requires that holders of Notes and/or coupons execute a Letter of Transmittal as a condition to the receipt of distributions contemplated by the Plan. In completing such Letter of Transmittal, holders will be required to supply certain information to New Federated and may be required to supply such other information as the Exchange Agent may require to comply with applicable United States tax laws.

The tax consequences of the exchange are in many cases uncertain and may vary depending on a beneficial holders' individual circumstances. Accordingly, holders are urged to consult with their tax advisors about the tax consequences of the exchange.

Questions should be addressed to the Trustee at the following address:

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, as Trustee

Corporate Trust Administration
60 Wall Street, New York, NY 10260
Attention: Mr. Patrick J. Crowley, Vice President
Tel. (212) 648-9001
Fax (212) 648-5111

PAYING AGENTS

Morgan Guaranty Trust Company of New York
P.O. Box 161
60 Victoria Embankment
London EC4Y OJP
Attention: Mr. Andy Joy

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
1040 Brussels, Belgium
Attention: Mr. E. deCrean

Morgan Guaranty Trust Company of New York
Mainzer Landstrasse 46, 6000
600 Frankfurt-am-Main, Germany
Attention: R. Boeckenholt
Securities Department

Morgan Guaranty Trust Company of New York
14, Place Vendome, 75001
Paris, France
Attention: Marc Auberb

Kredietbank, S.A. Luxembourgeoise
43 Boulevard Royal
Boite Postale 1108
L-2955
Luxembourg
Attention: Coupon Operations Speciales

Swiss Bank Corporation
(Basle Branch)
Aeschenvorstadt No. 1
CH-4002
Basle, Switzerland
Attention: G. Grandlich

J.P. Morgan Nederland, N.V.
Apolloaan 171
3rd Floor
1077 AS Amsterdam
The Netherlands
Attention: John Trip

Federated Department Stores, Inc.

By: Morgan Guaranty Trust Company
OF NEW YORK, as Trustee

Dated as of: March 5, 1992

NOTICE OF EARLY REDEMPTION

SAMSUNG ELECTRONICS CO., LTD (the "Company") (Incorporated in the Republic of Korea with limited liability) USD 20,000,000 5 per cent Convertible Bonds 2000 (the "Bonds")

NOTICE IS HEREBY GIVEN THAT, in accordance with condition 7(B) of the Terms and Conditions of the Bonds, the Company has decided to redeem all of the outstanding, unconverted bonds on April 6th, 1992 (the "Redemption Date") at 102.5% of their principal amount (the "Redemption Price") together with interest accrued to the Redemption Date. The amount payable per Bond will be USD 5,125.00 together with accrued interest of USD 66.67. Bonds should be presented for payment on the Redemption Date together with all unmatured coupons attached at the specified office of any of the Paying Agents listed below, whereupon interest on the Bonds shall cease to accrue.

Notwithstanding the foregoing, the holder of any Bond will, at any time up to and including April 6th, 1992, have the right to convert the principal amount of such bond into common stock ("Shares") of the company "in accordance with the Terms and Conditions of the Bonds".

On February 28th, 1992 the conversion price was 15,376 Won (shares issuable per Bond: 289.31), the closing price of the shares was 32,200 Won and the aggregate principal amount of the bonds was USD 15,120,000.

Principal Paying and Conversion Agent
S.G. Warburg & Co Ltd
2 Finsbury Avenue, London
EC2M 2PA

Paying and Conversion Agents

Bank Internationale a Luxembourg S.A.
2 Boulevard Royal, 2953 Luxembourg

Swiss Bank Corporation
1 Aeschenvorstadt, 4002 Basle

Nationwide Anglia

£115,000,000

Subordinated Floating Rate Notes Due 1998

Interest Rate:
10.9625% per annum

Interest Period:
6th March, 1992 to 7th September, 1992

Interest Amount per £500,000 Note due 7th September, 1992:
£27,705.77

Agent Bank
Baring Brothers & Co., Limited

UK COMPANY NEWS

Meggitt to expand in US with $53m buy

By Andrew Bolger

MEGGITT, the Dorset-based specialist engineering group, is to strengthen its aerospace activities by buying Endevco, a US company which makes electronic equipment and pressure sensors, for $53m (£30.1m) cash.

The vendor is Allied-Signal, a US group which supplies the aerospace and automotive industries.

Endevco employs 600 people and has two sites in California, with additional manufacturing operations in the US Virgin Islands and France. It also has sales operations in the UK, France, Germany and China.

Last year Endevco made pre-tax profits of $5.5m on sales of $55m. Net assets at December 31 were $25m.

Mr Ken Coates, chairman of Meggitt, said Endevco's market position and financial strength made it an ideal acquisition for Meggitt as it developed the group's core activities in aerospace and industrial sensors.

Meggitt has net cash after a £39.6m rights issue in September, and its gearing will remain in single figures after the acquisition, which is subject to regulatory approval.

Mr Coates said the deal would increase the US balance of Meggitt's business from about 30 to 35 per cent.

Putting money on the smaller companies

Richard Gourlay on the sector tipped to lead the economic recovery

AFTER THREE lean years, investors in smaller companies are about to have their day again. According to Credit Lyonnais Laing, pre-tax profits of smaller companies with market capitalisations of less than £250m are likely to grow by more than a third this year, twice as quickly as larger companies.

The forecast partly reflects the belief that smaller companies, which were the first to fall victim to recession, will be among the first to benefit from the economic recovery now widely forecast for the second half of the year.

Yet Credit Lyonnais Laing's forecast, drawn from its "Behind the Balance Sheet" report on 54 smaller companies, is only the latest indicator that the sector is back in vogue.

In January, Lloyds and Scottish Amicable launched investment trusts to cover smaller companies. Clerical Medical, which since early 1991 has been reducing its weighting of FT-SE 100 stocks in its top performing Pedigree growth fund, followed with a unit trust for those seeking an undiluted vehicle for investment in smaller companies.

And a smaller companies show at the Barbican hosted recently by Singer & Friedlander, the merchant bank, was enthusiastically attended by more than 90 fund managers.

If smaller companies are indeed to enjoy a renaissance, it would restore a pre-1989 relationship between the larger and the smaller sectors; for six years before the recession set in, the FT-A All-Share Index outperformed the FT-SE 100 Index, a pattern that has since been reversed. Mr Nigel Savage, manager of Govett UK smaller companies unit trust, believes the indices are about to revert to their old relationship.

Yet the renewed enthusiasm for the smallest companies may be premature, not just because recovery is still only around the corner and not upon us.

Investor attention does appear to be shifting away from the FT-SE 100 stocks but it may focus next on the Tootsies, the second hundred largest stocks by market capitalisation companies valued between £290m and £1.4bn.

"We think that the next wave of enthusiasm will be the quality second line stocks," says Mr Savage. "The real tiddlers, with market capitalisation of less than £50m, will have to wait until further down the economic cycle."

There may also be qualitative differences between any smaller company upturn this time and the surge of interest in the later stages of the 1980's bull market. "On the back of the 1980's boom the small company sector got over-hyped and overbought and dragged in a lot of rubbish," says Mr Peter Searight, the fund manager building Clerical Medical's new unit trust.

"Those were the days," says another fund manager, "All sorts of strange investments were made and they still went up."

In the more austere, debt conscious 1990s, fund managers say they will have a much keener eye on stock selection. "What people will be looking for is strong balance sheets, strong market share and strong management," says Mr Savage.

This alone may delay a return of buoyancy to the smaller market sector. By definition, many smaller companies may be constrained in one or all of these areas.

In another equally important area, smaller companies will also emerge from this recession carrying an additional burden.

Commercial banks, burned by their late 1980s lending binge, are widely expected to be reluctant to provide the working capital and longer term debt many companies will need to take advantage of the recovery.

Furthermore, the smaller companies' share prices may have been languishing for so long that raising development funds through the capital markets may be either unattractive or impossible.

Recovery may, therefore, come only to the stronger companies, making fund managers far more selective and less inclined to buy the sector wholesale.

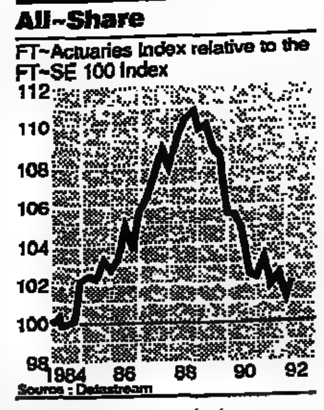
Analysts can call on a raft of tools with which to help fund managers select, such as Credit Lyonnais Laing's analysis of 54 more attractive smaller companies. This attempts to arrive at a better measure of a company's "financial flexibility" to finance proposed growth by using analysts' forecasts to predict future free cash flow generation and its impact on gearing.

The company argues that conventional cash flow calculations – post-tax profit plus gross depreciation less net dividends – only reflect the past and have limited value when trying to understand a company's prospects.

But many analysts say that far more important than any technical analysis, is an assessment of the quality of management. For smaller companies this is doubly the case; technical analysis is most valuable in warning a fund manager which managements not to bother to visit.

All~Share

FT~Actuaries Index relative to the FT~SE 100 Index



Source: Datastream

BAe and Asda settle dispute

By Vanessa Houlder, Property Correspondent

British Aerospace and Asda, the supermarket group, have settled a dispute about an option concerning the Burwood House Group, their property joint venture.

The dispute flared after Arlington, BAe's property subsidiary, was forced to pay the joint venture company £79m last month to fulfil an indemnity agreement.

Asda argued that it had the right to exercise an option, that would force BAe to buy it out, potentially for some £77m.

However, Arlington said the option was irrelevant, since it only applied in the event of a default and was invalidated by the payment of £79m.

Asda said that the argument had been "amicably settled."

Sun Life Corpn rises 36% to £47.5m

Sun Life Corporation, the life insurer taken over at the end of last year by Rockleigh Corporation, a company jointly owned by Société Centrale Union des Assurances de Paris and TransAtlantic Holdings, lifted pre-tax profits 36 per cent from £34.8m to £47.5m in 1991.

A final dividend of 42.4p is proposed to make a total of 56.4p (47p) for the year.

NEWS DIGEST

Frustrating time for Galliford

A PERIOD of frustration and disappointment for Galliford saw interim pre-tax profits of the construction and contracting group fall 43 per cent from £3.61m to £2.06m.

Turnover for the six months ended December 31 dipped 9

per cent to £106.9m.

Mr Peter Galliford, chairman, said that judging market conditions had been particularly difficult in the period. Each group operating company had sought to trim its cost structures to reflect the volume of work available.

First-half earnings per share fell to 1.56p (2.72p), while the interim dividend is held at 0.95p.

City & Commercial increases payment

Net income of City & Commercial Investment Trust showed a slight improvement from £2.17m to £2.34m in the year to January 31 1992.

A final dividend of 5.67p per income share makes a total of 9.91p (9.2p), which represents a full distribution of earnings.

Net asset value per £1 capital share, after deducting income shares at their nominal value, increased from £13.26 to £15.75 over the year.

Manufacturing side lifts John Haggas

A sharp improvement from its manufacturing side enabled John Haggas, the West Yorkshire-based worsted spinner, to offset increased retailing losses and lift overall pre-tax profits from £355,000 to £911,000 for the half year to December 31.

Manufacturing profits rose to £1.14m (£494,000) reflecting an improved performance from the spinning operation, while the fabric side again performed well. The retail division, however, incurred increased losses of £225,000 (£139,000).

Group turnover edged ahead to £16.4m (£15.6m) and earnings per share increased to 2.8p (1.06p). After a one year absence, the interim dividend is restored at 1p – last year's single distribution was 3p.

Net assets dive at London Finance

Net asset value of London Finance & Investment Group was 20.84p at December 31, down from 33.21p a year earlier and 31.17p at June 30 1991.

The share of losses from associates fell from £652,000 to £112,000, leaving pre-tax profits for 1991 up at £669,000 (£316,000). However, there was an extraordinary loss of £3.51m, relating to the write-off of the group's share of its investment in an associate's subsidiary. This led to attributable losses of £3.18m (£14,000).

Earnings worked through at 1.33p (losses 0.22p); the annual dividend is unchanged at 0.75p.

William Sinclair declines to £1.68m

William Sinclair Holdings, the Lincoln-based supplier of garden leisure and pet products, reported a 5 per cent fall in pre-tax profits for the six months to end-December.

The decline – from £1.77m last time to £1.68m – came on turnover ahead some 10 per cent to £16.3m (14.9m).

The interim dividend is raised by 0.1p to 1.7p, payable from earnings of 5.8p (6.8p) per share.

Transfer Technology ahead to £5.5m

Transfer Technology, which changed its name from Central & Sheerwood last May following reorganisation and the decision to concentrate on specialised engineering, made pre-tax profits of £5.51m in 1991.

Before the acquisitions of TransTec and the PSS group, C&S made pre-tax profits for 1990 of £2.94m. On a pro forma annualised basis 1990 profits would have been £3.5m.

Mr Geoffrey Robinson, chairman, said the group came through 1991 with much improved results thanks to tight cost controls, good gross margins and a strong position in export markets; more than 75 per cent of the TransTec Group output is exported and in the control technology division over 95 per cent is exported with an average gross margin of 50 per cent.

The dividend is increased from 10p to 13p with a recommended final of 6.75p, after adjusting for the consolidation and subdivision of the 1p ordinary into 50p ordinary shares.

Earnings emerged at 40p (31p).

Ben Bailey declines to £107,000

Further eroded margins resulted in a sharp fall, from £326,000 to £107,000, in pre-tax profits at Ben Bailey Construction in the six months to December 31.

Turnover at this Yorkshire-based housebuilder, however, gained £2.16m to £9.66m and the number of houses completed rose 24 per cent to 133.

Gearing was reduced from 100 to 59 per cent thanks to the sale of Housecraft (Mexborough), the merchanting division.

Earnings declined to 0.7p (2p) per share and the interim dividend is unchanged at 0.3p.

Powell Duffryn pays $8m for US group

Powell Duffryn has acquired Peabody Engineering Corporation of the US from an affiliate of the Pullman Company for $8m (£4.5m) cash.

Peabody, which becomes part of the Hamworthy Engineering group, is an established supplier of combustion equipment and related systems in North American and selected international markets. It has annual sales of $15m.

Lack of house sales holds Stat-Plus back

Stat-Plus Group, the retailer of office and legal stationery, ascribed its fall in pre-tax profits in 1991 to the "deepening UK recession".

This, it said, curbed the number of homes bought in spite of the reductions in interest rates. Inevitably, conveyancing, one of the company's main business areas, continued to suffer due to lower transaction levels and a concomitant low demand for law forms and specialist legal stationery.

Profits fell 16 per cent to £4.81m (£5.71m) on turnover marginally down at £11.6m (£11.9m).

However, the final dividend is raised to 4p making 7.125p (6.25p) for the year. Earnings slipped to 15p (17.2p) per share.

Further advance by Metal Bulletin

Metal Bulletin, the publisher of trade journals, surveys, directories and information systems, increased pre-tax profit from £1.64m to £1.7m in the 1991 year on turnover up from £10.8m to £11.5m.

The dividend is increased from 6.9p to 7.4p via a proposed final of 5p, out of earnings of 12.5p (12.2p).

Swanyard in £2.8m loss after provisions

Swanyard, the USM-quoted company which runs recording studios and a record label, reported a loss of £2.79m in its delayed published accounts for 1990, against a profit of £340,000.

In the first half of the current year it made a pre-tax profit of £78,000, against £90,000. Earnings per share were 0.67p (0.65p).

Turnover came to £4.29m (£2.28m). Losses per share were 24.23p (earnings 3.24p).

Russell Hobbs returns below 20%

Pifco Holdings has said that improved quality controls at its Russell Hobbs Tower subsidiary have now reduced the percentage of products returned, to "very significantly" below the 20 per cent level quoted yesterday.

TECHNOLOGY

Research and development may be different from cleaning lavatories or guarding factories, but like these support operations there is a thriving contract industry.

In tune with the government's renewed emphasis on innovation, contract research organisations (CROs) believe they can play an increasing role in the transfer of technology to British industry.

The work of the CROs covers the same range of activities provided by an in-house R&D service. Contractors can conduct strategic research that companies need for their next generation of products or services. They can develop new products, and they can carry out routine testing.

Some CROs carry out strategic research on a "club" basis, with several companies coming together to support projects of mutual benefit. For example, manufacturers placed contracts with the Motor Industry Research Association (MIRA) for research into generic problems associated with meeting controls on noise emitted by vehicles.

A research club can also unite companies that are part of a supply chain. Geoff Callow, research manager at MIRA, cites vehicle handling as an area in which no single supplier can solve the problems. Indeed, a company working in isolation could come up with technology that causes headaches elsewhere. MIRA can communicate with anybody in the supply chain.

Callow says that just 10 per cent of the organisation's activity is what he would recognise as research. The other 90 per cent is testing and development work, something that is especially relevant to small companies. The sophisticated instruments needed to make

Michael Kenward describes how companies can benefit from buying R&D services off the shelf

Expertise on the take-away menu

detailed measurements are often beyond their means.

By spreading the cost over a large number of customers, CROs can assemble impressive arrays of instruments. The Leatherhead Food Research Association, for example, recently invested £75,000 in a laser microscope. The RA's researchers used the microscope to look at the structure of delicate samples that would suffer under the treatment meted out by other microscopy techniques. The laser microscope can show the structure of low-fat spreads and bakery products, specimens that are easily damaged when put under an ordinary microscope.

CROs can also bring expertise and measuring equipment to large companies. The Advanced Manufacturing Technology Research Institute (AMTRI) has an impressive background in machine tools. In the course of its work over the years, the institute's researchers have developed a considerable understanding of why machines vibrate, for example. Much of its work involved testing prototype machines for companies to detect design faults that might affect product quality when the equipment reached customers.

"We have portable people and technology that we can take to a site and make measurements with instruments that clients do not have," says Neil Parkin, marketing manager of AMTRI. There is nothing unusual about the technology used to measure vibration, says Parkin, "but we can trundle it around".

Holroyd, a maker of machine tools, is one of AMTRI's customers. "We brought AMTRI in to measure our machines and tell us what had gone wrong in them," says John Owen, engineering director.

'You may not be able to buy the best biotechnologist, but there is nothing to stop you from renting one for a few days'

When Holroyd wanted to design computer numerically controlled (CNC) machine tools it did not have the ability in house to develop the CNC part of the machine tool, the software and electronic microprocessors that control the machinery. AMTRI designed the CNC system while the company's engineers produced the mechanical designs.

Holroyd gained considerable experience working with AMTRI. This proved invaluable when the company wanted to develop its own CNC technology. When moving into new areas, says Owen, it is better to start off small and to expand the in-house facility gradually.

Contract research can be especially valuable when a company has to respond to immediate problems. From time to time the food industry has scares about contaminated food. This can mean overnight work for researchers at the Leatherhead Food RA. As Mark Kierstan, director, puts it: "If someone claims to have contaminated your products, how do you test for it?"

Similarly, if glass turns up in jars of food, did it come from a thermometer, a broken jar, or was it inserted after the food left the factory? "Few firms have their own electron microscopist who can answer such questions," says Kierstan.

Nearer to the frontiers of science, Kierstan believes that CROs offer companies greater flexibility to change course or to close research projects.

If a company wants to investigate a new area of science – biotechnology, for instance – it takes time to set up a research department. "You will be two years down the road before you have done one day's work," says Kierstan. "You may not be able to buy the best biotechnologist, but there is nothing to stop you from renting one for a few days."

A company that buys time from a research organisation wants to guarantee that the results of the research it pays for do not end up in the hands of its competitors. All contract research organisations, and increasingly university groups that do contract research, go out of their way to maintain confidentiality, so much so that some CROs will not talk about their work. Walk around the corridors of the Leatherhead Food RA, for example, and signs on the doors mark out those laboratories where researchers are dealing with the confidential problems of a single customer.

Contract researchers admit that while they may not transfer commercially sensitive knowledge directly from one project to another, other clients will benefit from the general increase in knowledge brought about through a particular contract. This may prompt customers to wonder if paying a CRO to do R&D for them supports work that will benefit competitors.

The CROs response to this is that every project builds on research that went before. Today's contracts build on previous work as they also strengthen the research organisation's science for the future. The CROs argue that their ability to deal with problems across a broad spectrum gives contract researchers an edge over a dedicated laboratory.

Where the money goes

Income for contract research received in 1988/89

CROs	
AIRTO members	£190m
Others	£60m
Total	£250m
Educational Institutions	
Universities	£150m
Polytechnics and colleges	£30m
Total	£180m
Research council institutes	£100m
Government laboratories	
DTI	£4m-£5m
MoD	£55m
Others (including AEA Technology)	£80m
Total	£140m
Grand total	£570m

Source: The Contract Research Business in the United Kingdom, by M.J. Ringe

Electric sparks in La Rochelle

By John Griffiths

La Rochelle, best known to French holiday makers for its sea front, is about to find itself on another frontier – a technological one.

Peugeot, the French car maker, is so convinced that Europeans will be buying at least 200,000 electric vehicles a year by the turn of the century, that it is embarking on a joint venture with utility Electricité de France.

La Rochelle will be equipped with prototype recharging stations for an initial fleet of 50 electric Peugeot 106 and Citröen AX cars to be placed next year on long-term assessment with individual users in the city. Depending on how well the cars are received, the number allocated to the project may rise to 300.

According to Jean-Yves Helmer, director in charge of Peugeot group's electric vehicles programme, the company has also signed a partnership agreement with Générale de Transports et d'Industrie (GTI) to conduct an experiment within another large, but as yet unnamed, French city. This will involve a second fleet of electric cars which will be made available for public rental.

The recharging stations, expected to be mainly adjuncts of conventional filling stations, will be used to explore charging times, the long-term effects of rapid-charging and other practical aspects of operating electric cars.

Peugeot is undertaking what it describes as "a several hundred million francs" investment in its "EV" (electric vehicle) programme even though it does not expect to be able to break even on them until a volume of at least 50,000 units a year is reached.

However, Helmer stresses his belief that not only will Europeans be buying 200,000 electric vehicles a year by the end of the decade but that Peugeot will be able to capture at least 25 per cent of that market.

Peugeot is claiming to be relatively unaffected by some of the technical hitches, delays and disappointments that frequently have marked the motor industry's attempts to develop viable EVs.

Despite severe limitations on range and performance imposed by current battery technology, Helmer insists that whole-life costs of buying and operating electric cars can be made competitive with petrol or diesel equivalents.

The group has already built or taken orders for some 500 electric Peugeot and Citröen vans, which it began producing last year. These are now in use by, among others, Hong Kong's utility, China Light and Power.

Meanwhile, General Motors is unveiling at the Geneva motor show this week a concept car which adds a new twist to the EV versus conventional car debate. The small hatchback-sized vehicle, named "Twin", has interchangeable petrol or electric propulsion.

Ford is also to unveil an electric concept car at Geneva. Called the Ghia Connecta, it uses the drivetrain technology already developed by Ford for a 100-strong fleet of Escort-based vans due to start trials in the UK and US next year.

Retail sales tracked down

By Peter Marsh

The UK government faces private-sector competition in the tricky area of finding out about ups and downs in retail sales – an important part of the economy which accounts for a quarter of total UK output.

A computerised system for gathering the data on a weekly basis has been launched by the British Retail Consortium, a trade body for the industry, in an effort to improve on the monthly sales data published by the government's Central Statistical Office.

A more up-to-date assessment of trends in this sector would be invaluable in tracking the overall direction of the economy. It could also help the Treasury to improve on its poor record in recent years in economic forecasts – the latest of which are being released in next Tuesday's Budget.

The trade body says it is not making the data public, however, until it is confident they give a true picture of trends in the industry. It also wants to iron out what it says are technical difficulties involving the computers in the system.

However, the consortium may ultimately release the data to anyone interested, possibly charging a fee. The consortium's scheme covers roughly half the £150bn-a-year retail sector – patterns in which provide a useful guide to overall activity, particularly at the consumer level.

Many of Britain's biggest retailers are among the 31 companies participating in the initiative. They include Dixons, J. Sainsbury, Boots, Burton and Marks & Spencer.

The scheme is the most ambitious effort yet by a private-sector group to improve on knowledge of economic trends by pulling together retailing information on a weekly basis.

Private-sector schemes already exist for collecting weekly sales data for the clothing and food sectors. In both

Looking for the latest trends

cases, the information is largely kept for the internal use of the companies involved.

The initiative by the British Retail Consortium follows an inquiry launched last year by Norman Lamont, the chancellor. Concerned that the CSO's data on retail sales might be failing to indicate short-term trends in the economy which might point to a recovery from the continuing deep recession, Lamont asked the CSO to consider its own weekly analysis.

Once it became clear that the private-sector scheme was going ahead, the CSO decided against launching its own weekly analysis, arguing that the government would be able to borrow the data.

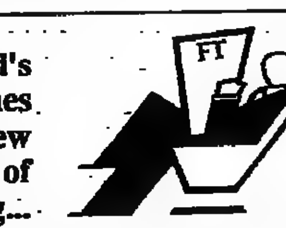
The scheme has been operating on a pilot level for about three months and involves managers from each of the 31 retailers recording at the end of each week the value of takings over the previous seven days. They also analyse how these takings compare with the value in the equivalent week last year.

Both sets of information are sent to staff at a London office of Touche Ross, the accountants, who are working on the scheme on behalf of the consortium.

Touche Ross collates the figures using computers, to provide a combined sales picture for all 31 companies, and a view of how sales have changed year on year.

The data related to the overall market are then returned to the participating companies. To preserve commercial confidences, none of the companies are allowed to see sales data related to individual rivals.

Companies involved in the scheme say that so far it is progressing well, and that the information being derived from the system should complement the monthly sales information from the CSO.



Elf and Total resume Iraq production-sharing talks

By **William Dawkins** in Paris

IRAQ has contacted Elf Aquitaine and Total, the French state-controlled oil groups, to negotiate possible exploration and production-sharing accords in southern Iraq.

Both groups confirmed yesterday that they had restarted talks, shelved since the imposition of the United Nations embargo at the start of the Gulf war, on the exploitation of two large oil and gas reserves north of Bassorah near the Iranian frontier.

Iraq, in desparate need of foreign exchange to tackle shortages of basic supplies and to rebuild the economy, approached them to study crude oil buying contracts in preparation for the possible ending of the trade embargo.

It then extended the talks to cover exploration and production sharing. Other western oil groups have also been approached, said Elf and Total.

Both French oil groups emphasised the talks were at an early stage, that they had not signed commitments and would not sign anything until Iraq had obeyed its obligations to the UN and the embargo had been lifted.

However, the Iraqi vice president, Mr Taha Yassine Ramadan, yesterday said oil production would restart soon, and would not necessarily await a UN security council decision. "Certain countries realise that it is in their interests to re-establish relations with Iraq," he told a Jordanian newspaper.

Elf said: "We are simply preparing for the moment when Iraq will become integrated into the international community. We have signed nothing and will sign nothing until Iraq is part of the international community." Total warned against expecting an early agreement.

The move is the first indication of French willingness to renew trade links with what used to be its closest ally and main trading parter in the middle east.

Brook Hunt predicts sharp fall in Japanese metal demand

By **Kenneth Gooding**

JAPAN'S SHARP fall in industrial output will lead to a substantial drop in metals demand from that country, Brook Hunt & Associates, the independent research group, points out in its latest monthly Metals Service reports.

It estimates that, compared with 1991, Japan this year will use 15 per cent less nickel (148,000 instead of 174,000 tonnes), 9 per cent less copper (down from 1.634m tonnes to 1.484m) and 5 per cent less aluminium (down from 2.4m tonnes to 2.272m).

The German economy is also slowing and "while the forecast for Germany is not nearly as bleak, the recession there is causing a Europe-wide slowdown." Metal exports from the former Soviet Union are also forecast to remain at historically high levels. Brook Hunt estimates that they will total about 850,000 tonnes of aluminium, 350,000 tonnes of copper and 100,000 tonnes of nickel this year.

The reports says that, despite the gloomy outlook, metals prices this year have been buoyed by large-scale buying by commodity funds. These are now benefiting from the cash flooding out of money funds in the US.

Ironically, relatively high prices are delaying necessary production cuts and plant closures, Brook Hunt warns.

It says metals prices are unlikely to sustain high levels for long. Consumption of aluminium, copper and nickel will be weaker in 1992 than in 1991 with little prospect of meaningful world economic recovery before the end of this year.

"Even with sharply rising consumption in 1993, the market for all three metals will remain in heavy surplus unless production plants are closed and plans for future expansion delayed. Such measures will be initiated only if prices fall significantly below current levels," Brook Hunt concludes.

It says average cash production costs are still comfortably below market prices for copper and nickel producers. Aluminium smelters, however, are already in trouble because of the stockpile in London Metal Exchange warehouses.

EC moves on single banana market

By **David Gardner** in Brussels

THE European Commission yesterday made a first attempt to agree on how to create a single market in bananas and comply with General Agreement on Tariffs and Trade (Gatt) tariff prescriptions for farm trade.

The Brussels executive has still to reach a consensus on on how to deal with this sensitive issue, and a decision is not likely for two to three weeks.

The EC has to decide how to protect banana imports entering duty free from high cost producers in its outlying territories and former colonies to which it has treaty obligations under the Lome convention. At the same time, the Uruguay Round trade negotiations require the EC to set a tariff for so-called "dollar bananas". Dollar fruit, mostly from low-cost plantations in Central America and Colombia, is subject to import restrictions, and a 20 per cent duty everywhere in the EC except Germany.

Dollar bananas already command three fifths of the 3.3m tonnes EC market, and Caribbean producers fear their industry would be wiped out unless the protection they enjoy under the Lome Convention is maintained.

Among the 12 member states, France, Italy, Spain, Portugal and Greece favour either seeking a derogation from Gatt or quota restraints on dollar bananas analagous to limits on Japanese car imports.

The broadly free market camp in the Commission is backing instead a high, degressive tariff on the Latin American fruit to allow the EC's traditional suppliers time to adjust. One suggestion is to make the tariff the difference between the highest import price from EC banana zones and the lowest import price from dollar zones - a duty of more than Ecu350 per tonne. Caribbean producers are lobbying intensively against tariffication.

But bananas, several Commission officials suspect, could easily put paid to a Uruguay Round deal, at least for this year.

The Round is already tottering because of fundamental differences between the EC and the US and other agri-exporters over farm subsidy cuts.

But an EC failure to "tariffy" bananas could unravel the package so far assembled, officials say.

Mexican refinery strike lifts zinc price

By **Kenneth Gooding**, Mining Correspondent

ZINC PRICES broke through the psychologically-important $1,200 a tonne level on the London Metal Exchange yesterday after Grupo Minera Mexico said its zinc refinery had declared *force majeure* on deliveries because of a strike which started on Monday. The refinery, in central Mexico, was scheduled to prodnce 96,000 tonnes of zinc this year.

This is the second zinc refinery in two weeks to be declared *force majeure*. Minero Peru's Cajamarquilla smelter (93,000 tonnes a year) is suffering from power supply problems because of a drought. Traders suggested, however, it was delivering as much as 95 per cent of ordered metal.

Market sentiment was also affected by news that a strike had started at Asarco's New Market zinc mine in Tennessee which produced about 29,000 tonnes of the metal in concentrates last year. This represented roughly one quarter of Asarco's total zinc output.

The lead market remained steady after Metaleurop said its Spanish subsidiary, Penarroya, would file a petition for a suspension of payments. This would almost certainly result in closure of Penarroya's 90,000-tonnes-a-year Santa Lucia primary lead smelter.

NZ lamb sales to UK fall further

By **Terry Hall** in Wellington

BRITAIN'S traditional role as the dominant buyer of New Zealand lamb was eroded further last year owing to growing sales to continental Europe, the Middle East and Asia.

In 1975 Britain took about 90 per cent of New Zealand lamb. But the Meat Board's annual report, just published, shows this fell below 30 per cent in the year to September, and that it could fall further as new markets are developed.

Since 1966 there has been a swing towards added processing in New Zealand. When the frozen meat trade was developed exclusively with Britain in 1882 UK butchers preferred whole carcass lamb, and there was no added processing.

By 1980, 72 per cent was whole carcass lamb and 18 per cent was processed. A decade later 45 per cent was whole carcass and 55 per cent processed. In 1990, 99 per cent of all beef was exported in boneless form.

The report says that while Britain remained the largest market for New Zealand lamb and offal and a substantial market for mutton, prices declined during the year, reflecting the UK recession and steep falls in the domestic prices for mutton, pork, poultry and offal.

The board says the removal of the variable premium on domestic sheepmeat this year should improve sales and prospects for New Zealand lamb, as would a changed seasonal pattern of domestic lamb production. But the market will be influenced by other meats, particularly cheap pork and poultry.

The outlook for New Zealand lamb in most European countries is promising, with sheepmeat consumption improving, and the board expects price levels and volumes shipped to rise.

In 1991, frozen lamb sales to France were up 120 per cent at 18,651 tonnes. Germany took 22 per cent – 14,090 tonnes. East Germany became a new market following unification.

Sales of frozen lamb to the Middle East rose 62 per cent from 39,396 tonnes to 63,901 tonnes last year, or 22 per cent of all production. Total exports to the region, including mutton, beef and veal, increased from 48,680 to 82,757 tonnes. The report says that the population growth in the Gulf, and its inability to become self sufficient in lamb, continues to underpin this market.

However 90 per cent of sales were to the catering trade, and the remaining 10 per cent to expatriates. "The largest untapped market is to encourage Arabs to buy frozen meat and sheepmeat at retail stores."

The opening of the Japanese beef market from April 1 last year led to confusion which will take some two years to settle down, the report says.

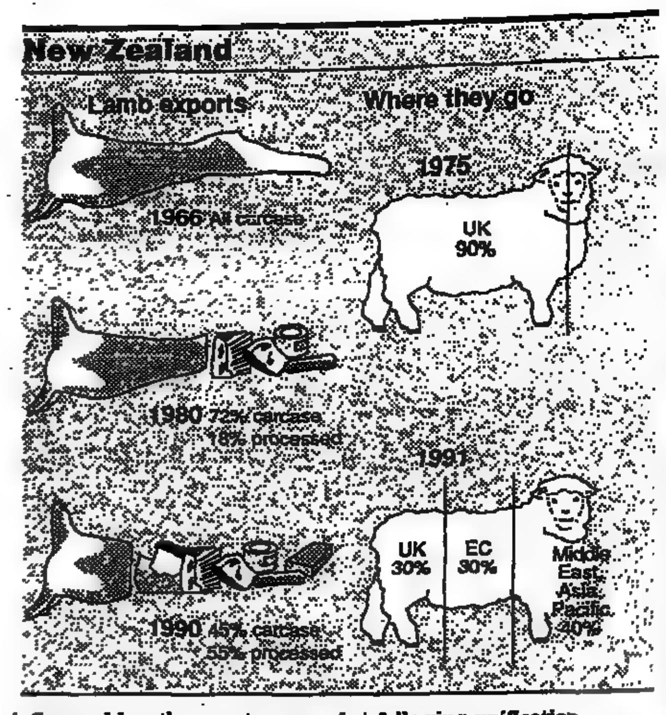
It anticipated that Japan would be buying 500,000 tonnes of beef a year by 1995. Korea had also liberalised its trade. Such factors, and high economic growth rates suggested that Asia would become even more important, although mutton volumes from New Zealand would fall in the short to medium term.

Japan preserved its position, held since 1984, as the main buyer of New Zealand sheepmeats, although sales fell from 18,220 to 17,940 tonnes during the year.

The report says that the North American beef market will remain strong this year. But there were prospects of restraints under the Meat Import Law because the trigger level was expected to be lower than in 1991.

Australian production would be the dominant factor. There were indications that the drought-induced slaughter of 1991 could lead to reduced production this year.

The report says significant cost savings of about 30 per cent were made during the year on freight costs to North America.



Ecuador shells out on shrimp farming

Sarita Kendall on the consequences of declining fish stocks and over-investment

Ecuador's shrimp farming business had another record year in 1991 as the gap with other fishing exports widened.

Groups within the industry, unwilling to acknowledge over-fishing, accuse each other of irrational practices or blame dwindling catches on climate and ocean currents.

"We've seen this happen in other countries – with herring in the North Sea, and anchovy in Peru," said Mr Ian Scott, the economist in charge of Britain's technical assistance programme for the fishing sector.

"There's been over-investment. If the Ecuadorian fleet fishes for 160 days a year at 50 per cent efficiency, it can catch 3m tonnes – but the sustainable stock of pelagic fish is only 500,000 to 1m tonnes."

In the last few years fishermen supplying the fishmeal and canning industries have seen a drastic drop in the harvest of sardines, mackerel, thread herring and anchovies: the catch fell from 1,970,000 tonnes in 1985 to 233,000 tonnes in 1990, leaving many processing plants working at less than 20 per cent of capacity.

Mr Scott said that although the warm southward-flowing El Niño current was responsible for two bad years, the general decline was due to over-fishing and licences and quota systems were needed to help stocks recover.

The tuna industry, centred in Manta, is also overblown, but the catch has remained stable at 50,000 to 55,000 tonnes a year.

Both Ecuadorian and foreign boats fish for tuna. Local fishermen criticise the fact that boats registered in the US, Japan and other countries are contracted by Manta processing companies. However, it is argued that only some of the vessels in the national fleet can freeze tuna to -40C, the temperature necessary for good quality exports.

The under-secretary for fishing, Mr Max Aguirre, is proud of Ecuador's record on the dolphin-tuna issue. "The Ecuadorian law is strict. Ecuadorian and foreign boats have their licences taken away if they fish on dolphins. I report with satisfaction that in 48 trips with observers on board there were zero dolphin deaths."

Mr Aguirre admits that research studies warned of sardine fishing problems, and says regional controls, including Peru and Chile, should be enforced. "Licences should regulate the catch with reference to the resource."

However, the private sector has been too powerful and the government too timid to allow any quota-based management of stocks.

The fish sector earned about US$570m in 1991, with shrimps contributing more than 85 per cent. There are more than 125,000 hectares of shrimp ponds along the tidal flats of the Ecuadorian coastline, mainly in the southern provinces. Most shrimp farms are less than 50 hectares, though the largest – up to as much as 2,000 hectares – tend to be the most sophisticated. Some use small aircraft to drop feed over the surface of the ponds.

Shrimp farms produce all year round so close to the equator and two to three harvests can be taken. With an ideal climate, plentiful larvae and low-labour costs, Ecuador is the leading Latin American shrimp exporter.

"Our problem at the moment is the big jump in the cost of inputs. The dollar price of shrimps has dropped and so has profitability," said Mr Renato del Campo of the Chamber of Shrimp Producers in Guayaquil. "But there are markets – the US is still attractive and we are diversifying into Europe, especially Spain."

Exports have risen from 10,000 tonnes in 1980 to more than 78,000 tonnes in 1991, and the need for more space and more larvae has led to conflict with environmental groups, particularly over the clearing of mangroves.

Most shrimps are bred from wild larvae caught by thousands of seasonal fishermen, but more than 100 laboratories have been started up in recent years, with some exporting larvae to Colombia.

Although the shrimp fishing industry is small, accounting for less than 10 per cent of production, wild shrimp provide important breeding stocks for the laboratories.

The sector expanded dangerously fast – from about 2,000 to 9,000 boats – in the 1980s and over-fishing is becoming a serious problem within a few miles of the coast. Many of the boats are dug-out canoes based in small communities.

"We need to teach people to take better care of the fish, then they'll also improve their income. There should be ice available, and we need to encourage marketing co-operatives," said Mr Aguirre.

The British aid project, which is now ending after 12 years, has helped the National Fisheries Institute to build up data on biology, product development, marketing and management.

Ecuador has a stronger basis for planning resource use than many other countries. "There isn't any room for growth in the existing industry – it needs reducing and consolidating," said Mr. Scott.

WORLD COMMODITIES PRICES

MARKET REPORT

New York's nearby arabica coffee contract was 2 cents down in early afternoon trading on profit taking and some selling from origin as the market retreated from Tuesday's sharply higher close. Traders said there was little news from Costa Rica, where coffee ministers from Central America, Colombia and Mexico are meeting to discuss options on renewing international price supports. London robustas closed off the highs struck earlier, when May touched $844. Dealers noted that only 27 lots of dollar and 426 lots of sterling have been delivered since March became tenderable on Monday, partly because much of the coffee seems to be in the hands of companies under little pressure to sell. On the LME nickel closed just ahead; dealers said the market's uninterrupted recent decline, which has taken prices down some $700, was finally reversed at midsession as active fund buying and short covering emerged at the key $7,400 level for three-month metal - a new eight week low. Earlier losses were sparked by producer selling and sell-stops, with option-linked selling adding to the pressure. The steep falls brought many March puts into-the-money, prompting hedge selling ahead of the morning's declarations.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.20-5.30w	+0.25
Brent Blend (dated)	$17.20-7.35w	+.175
Brent Blend (Apr)	$17.40-7.45	+0.20
W.T.I (1 pm est)	$18.50-8.56w	+0.20
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$198-202	
Gas Oil ‡	$157-158	+1
Heavy Fuel Oil	$70-72	+1
Naphtha	$178-179	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$348.95	-1.20
Silver (per troy oz)♣	412.0c	-3.50
Platinum (per troy oz)	$360.5	-3.10
Palladium (per troy oz)	$83.65	-0.70
Copper (US Producer)	106.61c	-0.02
Lead (US Producer)	37c	
Tin (Kuala Lumpur market)	14.09r	-0.02
Tin (New York)	258.5c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	109.26p	+2.40
Sheep (live weight)†♠	101.41p	+0.31
Pigs (live weight)†	95.89p	+0.31
London daily sugar (raw)	$209.8v	+5.70
London daily sugar (white)	$264.5v	+3.20
Tate and Lyle export price	£228.5	+4.00
Barley (English feed)	£120.75	
Maize (US No. 3 yellow)	£148.0	
Wheat (US Dark Northern)	Unq	
Rubber (Apr)♥	53.00p	+0.50
Rubber (May)♥	53.25p	+0.50
Rubber (KL RSS No 1 Mar)	210.5m	+0.50
Coconut oil (Philippines)§	$615.0t	-15.0
Palm Oil (Malaysian)§	$387.5q	+2.50
Copra (Philippines)§	$415.0w	
Soyabeans (US)	£155.0q	-2.00
Cotton "A" index	56.20c	-0.10
Wooltops (64s Super)	460p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Mar t-Jun/Jly u-Jan/Mar v-Mar/Apr y-Feb/Mar z-Feb w-Apr. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices. ‡Correction for Mar.3 Gas Oil 156-157.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
May	182.60	185.00	184.80 182.40
Aug	187.00	189.00	189.60 187.40
Oct	188.40	189.00	189.40 188.80
Mar	189.00	191.00	188.00
White	**Close**	**Previous**	**High/Low**
May	282.5	283.7	283.5 282.0
Aug	266.0	267.5	268.7 265.5

Turnover: Raw 247 (1578) lots of 50 tonnes. White 1478 (731)
Paris- White (FFr per tonne): May 1508.50 Aug 1545.53

CRUDE OIL – IPE ($/barrel)

	Latest	Previous	High/Low
Apr	17.38	17.43	17.46 17.34
May	17.46	17.49	17.51 17.39
Jun	17.54	17.57	17.55 17.43
Jul	17.53	17.57	17.57 17.51
Aug	17.54	17.61	17.56 17.50
Sep	17.55	17.65	17.55 17.60
Oct	17.56	17.70	17.56
IPE Index	17.32	17.46	

Turnover 13000 (21968)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low
Mar	157.75	157.00	159.00 157.50
Apr	157.50	157.00	158.75 157.50
May	159.00	157.75	160.50 158.25
Jun	161.00	159.50	161.50 160.00
Jul	163.00	162.00	163.00 162.00
Aug	165.00	163.75	165.25 164.00
Sep	167.25	166.00	167.50 167.00
Oct	169.75	168.25	169.75 168.75
Nov	171.00	169.75	171.00 170.50

Turnover 13217 (24321) lots of 100 tonnes

WOOL

Despite relatively small offerings at Australian sales this week prices failed to rise further, and some types sold at prices irregularly a little cheaper. New Zealand wool was more definitely cheaper at this week's sale, and about a third of the offering failed to find buyers. It is now widely felt that the strong price rise which developed in February has been checked. The setback, if it does in fact develop, means a quieter trading spell but this is acceptable after recent improvement, and longer term confidence persists. The AWC Market Indicator at 648 cents a kg. is 5 cents higher than a week ago.

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	668	670	663 653
May	686	697	694 678
Jul	714	726	720 706
Sep	738	749	745 730
Dec	773	780	780 765
Mar	804	813	805 795
May	823		826 818
Jul	843	851	846
Sep	862		864 859
Dec	888	900	890

Turnover: 4847 (2276) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Mar.3 862.68 (857.69) 10 day average for Mar.4 862.02 (861.24)

COFFEE – London FOX ($/tonne)

	Close	Previous	High/Low
Mar	810	798	821 807
May	830	823	844 830
Jul	854	846	863 852
Sep	876	869	884 875
Nov	898	894	907 895

Turnover: 3305 (2210) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Mar.3: Comp. daily 56.46 (55.16) 15 day average 55.36 (55.37)
Sterling close: March £471

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low
Mar	115.0	130.0	115.0
Apr	123.0	134.6	124.5 123.0
May	147.5	148.0	148.5 147.2
Apr	132.9	132.4	133.0 132.6

Turnover 186 (342) lots of 20 tonnes.

SOYAMEAL – London FOX (£/tonne)

	Close	Previous	High/Low
Apr	129.5	128.00	29.5

Turnover 15 (20) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Mar	[illegible]	1292	1305 1290
Apr	1345	1348	1360 1345
May	1333	1338	1355 1335
Jul	1155	1160	1175 1155
Oct	1275	1280	1295 1275
BFI	1228	1227	1228

Turnover 455 (328)

GRAINS – London FOX (£/tonne)

[illegible]			

PIGS – London FOX (Cash Settlement) p/kg

[illegible]			

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 24,294 lots
Cash	1289.5-90.5	[illegible]	1292.5	[illegible]		
3 months	1315-16	1309-10	1322/1307	1308-8.5	1320-20.5	151,947 lots
Copper, Grade A (£ per tonne)						Total daily turnover 23,802 lots
Cash	1313.5-14.5	1289.5-90	1315/1298	1296.5-97		
3 months	[illegible]	1308-09	1332/1313	[illegible]	[illegible]	[illegible]
Lead (£ per tonne)						[illegible]
Cash	305.5-6.5	302-03	301	[illegible]		
3 months	[illegible]	313.5-4.0	317/312	[illegible]	[illegible]	[illegible]
Nickel ($ per tonne)						[illegible]
Cash	7470-80	7460-70	7400	[illegible]		
3 months	7550-60	7545-50	7590/7400	[illegible]	[illegible]	[illegible]
Tin ($ per tonne)						[illegible]
Cash	5590-600	5560-70		[illegible]		
3 months	5630-40	5600-10	5650/5610	[illegible]	[illegible]	[illegible]
Zinc, Special High Grade ($ per tonne)						[illegible]
Cash	1200-2	1157-58	1199/1197	[illegible]		
3 months	1209-10	1199-200	1215/1205	[illegible]	[illegible]	[illegible]

LME Closing £/$ rate: SPOT: 1.7235 3 months: [illegible] 6 months: [illegible] 9 months: [illegible]

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	349.75-350.15	
Opening	349.70-350.10	
Morning fix	350.20	201.900
Afternoon fix	350.15	201.980
Day's high	350.50-350.80	
Day's low	349.35-349.65	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.80	6 months	3.59
2 months	3.60	12 months	3.64
3 months	3.60		

Silver fix	p/fine oz	US cts equiv
Spot	237.00	410.80
3 months	243.10	414.85
6 months	246.10	419.40
12 months	250.80	430.05

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	350.25-350.75	202.00-202.50
Maple leaf	361.00-362.00	208.00-208.50
New Sovereign	86.00-87.00	49.50-50.00

TRADED OPTIONS

[illegible]			

INDICES

[illegible]			

New York

GOLD 100 troy oz.; $/troy oz.

[illegible]			

PLATINUM 50 troy oz; $/troy oz.

[illegible]			

SILVER 5,000 troy oz; cents/troy oz.

[illegible]			

SUGAR WORLD "11" 112,000 lbs; cents/lbs

[illegible]			

HIGH GRADE COPPER 25,000 lbs; cents/lbs

[illegible]			

COTTON 50,000; cents/lbs

[illegible]			

ORANGE JUICE 15,000 lbs; cents/lbs

[illegible]			

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Apr	18.54	18.54	18.66	18.52
May	18.70	18.76	18.81	18.69
Jun	18.80	18.88	[illegible]	18.79
Jul	18.86	[illegible]	18.95	18.87
Aug	18.92	19.00	18.98	18.91
[illegible]				

HEATING OIL 42,000 US galls, cents/US galls

[illegible]			

COCOA 10 tonnes; $/tonnes

[illegible]			

COFFEE "C" 37,500lbs; cents/lbs

[illegible]			

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Mar	590/0	591/2	590/4	579/6
May	599/0	599/4	609/4	598/0
Jul	609/4	609/0	609/6	598/0
[illegible]				

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]			

SOYABEAN MEAL 100 tons; $/ton

[illegible]			

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]			

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]			

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]			

LIVE HOGS 40,000 lb; cents/lbs

[illegible]			

PORK BELLIES 40,000 lbs; cents/lb

[illegible]			

LONDON STOCK EXCHANGE

Nervous close after an erratic session

By Terry Byland, UK Stock Market Editor

FEWER heavyweight UK companies reported results yesterday and the London stock market proved unwilling to respond to Wall Street's overnight advance to new peaks. With their appetite for deals checked by the withdrawal on Tuesday of a series of trades in banking stocks, equity traders inclined towards caution.

The stock market was unsettled by a sharp fall in UK government bonds. UBS Phillips & Drew told clients that Britain's Public Sector Borrowing Requirement (PSBR) was now "set on an unsustainable course" and that taxation might have to rise in the medium term if PSBR is to be reduced to more acceptable levels.

The FT-SE Index closed 7.0 down at 2,558.4, having turned back as Wall Street showed a fall of 2.46 on the Dow in early trading. Earlier, the Footsie had twice crept into plus territory, as well as falling 6.4 at mid-morning under the sway of sharp movements in some component stocks.

The most notable was Reuters, the global business communications agency, which fell heavily after disclosing problems with the testing of its Globex system for trading financial futures; the fall in Reuters shares represented a loss of 1.1 on the Footsie. The shares were strongly bought last week on optimism ahead of the Globex tests.

The financial sector, which has provided much of the market's activity over the past fortnight, as the banks and insurance companies have reported results, was in a calmer mood. There was some activity in food shares, both manufacturing and retail, after Cadbury Schweppes reported progress. Food retailers were unsettled by reports that a large block of Sainsbury shares was on offer.

Seaq volume edged higher to record 529.5m shares compared with 523.2m in the previous session. However, traders believed that retail, or customer, business in equities was lower yesterday than on Tuesday when it was worth a total of £1.1bn, a return to favourable business levels from the point of view of the London marketmaking firms.

A substantial boost to trading volume came in very late dealings yesterday when a substantial non-protected programme was reported on the trading screens.

Under the changes introduced on February 24, non-protected deals have become significantly more visible; the changes were prompted by complaints by traders that reporting of large deals was often held back until the end of the day.

While many of the large investment funds have already begun to reduce activity in the stock market ahead of next Tuesday's Budget speech, strategists continued to assess the wider outlook.

Lazard Investors commented that while global activity in equities remains weak, there are the first signs of revival in the US economy. It added that falling inflation and lower bond yields favour the UK and European equity markets, and looked for opportunities to increase exposure to the UK stock market.

Nomura Research Institute, however, believes that the time may not yet be ripe for a switch from the US to the UK equity markets. Constraints on sterling and UK interest rates, together with the near term political risk, are the reasons given for holding back on the US-UK switch.

Account Dealing Dates		
*First Dealings:		
Feb 24	Mar 9	Mar 23
Option Declarations:		
Mar 5	Mar 19	Apr 2
Last Dealings:		
Mar 6	Mar 20	Apr 3
Account Day:		
Mar 16	Mar 30	Apr 13

*New-time dealings may take place from 8.30 am two business days earlier.

FINANCIAL TIMES STOCK INDICES

	Mar 4	Mar 3	Mar 2	Feb 28	Feb 27	Year Ago	1991/92 High	1991/92 Low	Since Compilation High	Since Compilation Low
Government Secs	97.76	98.15	98.26	98.35	98.55	84.94	98.55 (27/2/92)	82.17 (2/1/91)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	101.01	101.22	101.33	101.38	101.49	93.27	101.56 (19/2/92)	90.59 (2/1/91)	105.40 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1988.5	1987.0	1981.2	1983.0	1986.7	1977.5	2108.3 (2/9/91)	1608.3 (16/1/91)	2108.3 (2/9/91)	49.4 (26/6/40)
Gold Mines	126.0	130.1	128.9	130.2	127.2	142.7	222.8 (11/7/91)	126.0 (4/3/92)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2558.4	2565.4	2554.3	2562.1	2562.0	2459.9	2679.6 (2/9/91)	2054.8 (16/1/91)	2679.6 (2/9/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1200.08	1198.84	1192.13	1195.15	1193.41	1120.24	1200.08 (4/3/92)	938.62 (16/1/91)	1200.08 (4/3/92)	938.62 (16/1/91)
Ord. Div. Yield	4.50	4.47	4.50	4.50	4.50	4.87				
Earning Yld % (full)	6.39	6.49	6.52	6.53	6.53	9.24				
P/E Ratio (net)	19.79	19.28	19.28	19.26	19.24	13.34				

SEAQ Bargains 5.00pm	34,871	34,513	32,609	32,419	33,359	38,857
Equity Turnover (£m)	-	1124.4	881.5	962.8	1183.2	1779.9
Equity Bargains	-	38,836	36,894	36,336	37,900	58,682
Shares Traded (mil)	-	465.4	387.6	432.3	515.6	830.5

Ordinary Share Index, Hourly changes — Day's High 1996.2 — Day's Low 1986.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1996.2	1994.0	1987.0	1989.4	1992.1	1993.0	1993.4	1990.7	1990.5

FT-SE 100, Hourly changes — Day's High 2569.9 — Day's Low 2558.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2569.9	2567.6	2559.7	2562.8	2565.7	2566.6	2566.9	2563.8	2562.9

FT-SE Eurotrack 200, Hourly changes — Day's High 1200.41 — Day's Low 1197.68

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1200.41	1199.47	1198.44	1198.47	1198.48	1199.11	1199.26

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, Basis 1000 FT-SE 100 31/12/83. ♦ FT-SE Eurotrack 200 26/10/90. ◆ Nil 18.79

GILT EDGED ACTIVITY

Indices*	Mar 3	Mar 2
Gilt Edged Bargains	105.4	106.7
5 - Day average	134.3	140.2

*SE Activity 1974. †Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

BP waits for news from US

The struggle between UK and US investors over BP – the US houses have been aggressive buyers while UK firms have been equally aggressive sellers – continued yesterday when over 16m shares changed hands in London.

The stock settled 1¼ up at 289¼p ahead of an important presentation last night to New York investment institutions by Mr John Browne, BP's head of exploration and production. The presentation was hosted by Paine Webber, the US brokerage house.

Dealers in London said the US institutions had been accumulating BP stock in front of the speech by the BP director on hopes of good news from BP's big Cusiana oil discovery in Colombia and elsewhere.

"The market is very finely balanced, awaiting the news from New York," said a London-based analyst. US investors have focused on BP's good yield but UK institutions, dismayed by the poor results, the disappointing dividend payment, and by worries about BP's ability to maintain future dividends, have been reducing their exposure to the stock.

Sainsbury deal

A block of 10m shares in J Sainsbury, the food supermarket group, loomed over the stock market yesterday, and there were suggestions that a member of the Sainsbury family had offered the block of shares to several investment houses.

It appeared that the successful bidder, an integrated securities house, had paid 392p a share but was still trying unsuccessfully to pass the stock on when the market closed. The attempts to do so probably represented about half of yesterday's 4.8m turnover in the stock. The shares closed one lower at 393p.

Reuters in reverse

The frantic buying and subsequent rise in Reuters shares at the start of the week, when US investment banks were revealed as running substantial short positions in the stock, was reversed yesterday after news that testing of the company's Globex 2000 dealing system failed yesterday.

News that the tests, carried out in London, New York and Chicago, had gone wrong saw Reuters shares plummet to 1,168p at one point before they stabilised and eventually closed a net 39 lower at 1,186p. Turnover in the stock expanded rapidly to reach 5m, the highest individual day's activity since November 1990.

Globex 2000 is a financial futures trading system being developed as a joint venture between Reuters and the Chicago Mercantile Exchange and the Chicago Board of Trade. Along with Dealing 2002, a foreign exchange dealing system, it is seen as a substantial long-term profits earner for Reuters.

Worries that the system may be delayed for some time were shrugged aside by a number of analysts. Mr John E. Clarke at Daiwa, the Japanese-owned stockbroker, said "any rescheduling is unlikely to mean a significant delay" and pointed out that Reuters shares had closed above last Friday's level.

BTR upset

A setback in BTR was at first attributed to reports that it had dropped plans to create a global electrical engineering business in the wake of its £1.5bn takeover of Hawker Siddeley last November.

However, the fall in the shares was later ascribed to nervousness ahead of next week's preliminary figures. The shares ended 10 down at 397p as turnover reached 4.4m.

Electronics group GEC featured as the fourth-heaviest traded stock in the London market, with BZW seen to be a strong supporter of the shares which touched 221½p before settling a net 5 higher at 220½p on turnover of 10m.

BZW reiterated its positive stance and will tomorrow embark on a series of presentations to institutions. Dealers said much of yesterday's activity in GEC had taken place between marketmakers.

Earlier this week, GEC shares were unsettled by a downgrading by Nomura, the Japanese-owned securities house.

Profit-taking left Cadbury Schweppes 3 lower at 460p, retreating from levels of around 468p shortly after it was announced that 1991 profits were up 13 per cent at £316.4m, compared with analysts forecasts of about £310m. The initial strength also reflected relief that the company had not made a rights issue.

It was generally agreed that the later retreat reflected consolidation in a stock that has performed very well, but that the future will not be easy.

Mr Charlie Mills, at UBS Phillips & Drew, said "forecasts may edge up but not very much", while Mr Tim Potter at Smith New Court, remarked that "people won't really be able to upgrade. Profits will be hard earned and life tough".

Lonrho, the international conglomerate, held at 117p after some exceptionally heavy trading in the shares, including a block of 3.8m shares traded at 116½p and another of 4m traded at 117p.

The US investment grouping of FMR Corporation and Fidelity International announced they had increased their aggregate holdings in Lonrho to 6.27 per cent or 41.2m shares, from the previous figures of just over 4 per cent.

BICC shares rallied from an initial 307p to end a busy session a net 12 higher at 324p on heavy turnover of 6.5m, responding to the preliminary figures. These showed a maintained dividend and better-than-expected cash flow. Hoare Govett said the shares had "plenty of upside" and pointed out the 30 per cent underperformance against the market over the past 12 months.

Shares in SmithKline Beecham were hit in late afternoon trading after rumours on Wall Street that Mevacor, a cholesterol lowering drug, was experiencing problems. Although SmithKline has no direct interest in Mevacor, which is manufactured by Merck & Co, it does help market a sister product, Zocor, and it is the knock-on effect from this that damaged SmithKline. The shares lost 18 to 908p.

Glaxo also fell back on the news, closing 3 off at 795p.

Leading property stocks fell on familiar concerns over the weakness in central London office rental values. Wates City of London Properties, which reports next week, led the way down after comments at the end of last week over the group's dividend. This had undermined the shares all week, yesterday falling a further 6 to 69p.

Strong French buying pushed Euro Disney 20 higher to 1,610p. Busy volume in Owners Abroad included an agency cross of 650,000 shares. The stock was 2½ off at 118½p.

Electronics and entertainment giant Thorn EMI continued its poor run as worries persisted over its chances of winning a large share of Virgin's music division. Latest news from market sources in New York suggests that Thorn has matched Bertelsmann's bid of $750m and negotiations are continuing. The shares slipped 3 to 797p.

Food manufacturing group Hillsdown Holdings remained firm on the expected flotation of its housebuilding subsidiary and positive comments from brokers, gaining 4 to 166p. Turnover was sharply reduced however at 779,000 shares.

Dalepak remained volatile following the recent disclosure of preliminary talks with potential purchasers. Monday's rise of 71p has proved to be overdone, according to analysts, and after falling 15 on Tuesday the shares lost another 25 to 393p yesterday.

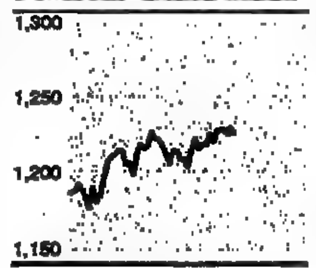
GKN cheered the market by reporting results at the top end of market forecasts and a maintained dividend. The shares responded by jumping 20 to 352p. Profits fell from £172m to £95m but the dividend was maintained at 12.5p.

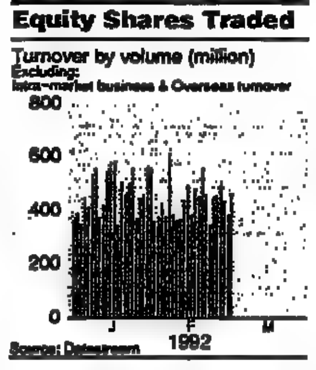
British Aerospace firmed 5 to 332p after announcing it had agreed with Asda that Asda would not serve notice to exercise a put/call option which could have led to the ending of the Burwood House joint venture between the two companies.

Two large blocks of Singer & Friedlander, each of 7.7m shares and totalling 7 per cent of the equity, traded at 40¼p. The shares closed unaltered at 41p.

MARKET REPORTERS:
Colin Millham, Joel Kibazo, Christopher Price, Steve Thompson

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 18.





NEW HIGHS AND LOWS FOR 1991/92

NEW HIGHS (78).
BRITISH FUNDS (8) Tr. 3pc 1992, Tr. 2pc IL 1994, Tr. 2pc IL 1996, Tr. 2½pc IL 2001, Tr. 2½pc IL 2003, AMERICANS (2) Dial, Echlin, BANKS (3) Deutsche, HSBC, Sec. Pacific, BREWERS & DISTILLERS (1) Wolv. & Dudley, BUILDING MATERIALS (1) Heywood Williams, BUSINESS SERVICES (1) Inchcape, CHEMICALS (2) Allied Colloids, BOC, CONGLOMERATES (2) Jardine Hldgs., Mossell, CONTRACTING & CONSTRUCTION (2) Boot (H), Gleeson (MJ), ELECTRICALS (1) China Light, ELECTRONICS (5) Farnell, GEC, Hewlett-Packard, MTL Instrs., Misys, ENGINEERING GENERAL (5) Atlas Copco B, Fairey, Transfer Tech., Victaulic, Weir, FOOD MANUFACTURING (3) Nestle(Br), Do. (Regd.), Nichols (Vimto), HEALTH & HOUSEHOLD (1) Intercare, HOTELS & LEISURE (2) Euro Disney, Mandarin Oriental, INVESTMENT TRUSTS (16) Bankers Inv., Beta Global Emrg. Mkts., Fimg. Emrg. Mkts., Genesis Emrg. Mkts., Genesis Malaysia Maju Fund, Hong Kong, Independent Inv., India Fund, Mexico Fund, Murray Enterprise, River Plate Zero Prf., St. Davids Zero Prf., Scot. Asian Ptg., Spanish Smlr Co's., Do. Wrrnts., TR Tech., MEDIA (4) Metal Bulletin, Pearson, Portsmouth & Sunderland, Ulster TV, METAL & METAL FORMING (1) Billam (J), MOTORS (2) Jessups, Lookers, OIL & GAS (3) Evergreen Res., NZ Oil, OTHER FINANCIAL (3) Jardine Strategic, Lon.Forfaiting, Swire Pacific, PACKAGING, PAPER & PRINTING (4) Bowater, Do. 7.75pc Prf., Brit. Polythene, Do. 7½pc Prf., PROPERTY (1) HK Land, STORES (1) GUS A, TEXTILES (2) Ingham, Leeds, TRANSPORT (1) Cathay Pacific, MINES (2) Ayer Hitam, Gopeng Berhad.

NEW LOWS (45).
BRITISH FUNDS (2) Ex. 13½pc 1992, Tr. 9pc 2012, BUSINESS SERVICES (1) Boustead, CONGLOMERATES (1) Ensor, CONTRACTING & CONSTRUCTION (4) Crestan, Dean & Bowes, Galliford, Severfield-Reeve, ELECTRICALS (2) Fujitsu, Toshiba, ELECTRONICS (2) Harland Simon, Radius, ENGINEERING AEROSPACE (1) UMECO, ENGINEERING GENERAL (1) Hadleigh Inds., HOTELS & LEISURE (1) Allied Leis., Savoy A, INVESTMENT TRUSTS (6) City of Oxford Wrrnts., Indonesia Equity Wrrnts., M & G Dual Inc., M & G Inc., Do. Geared Units, River Plate Cap., MEDIA (1) Shandwick, MISCELLANEOUS (1) Cresst, OIL & GAS (3) Cairn Energy, Caspen, Conroy Petrlm., OTHER FINANCIAL (1) Natl. Home Loans, PROPERTY (11) Bradero Props., Brit. Land, Chesterfield, Clarke Nickolls, Fletcher King, High-Point, Power Corp., Property Trust, Regalian, Slough Ests. 8¼pc Prf., Wates City of Lon., TRANSPORT (1) All Nippon Airways, MINES (7) Bougainville, Cons. Murchison, Doornfontein, Greenside Res., Plateau, South African Land, Southvaal.

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system on Tuesday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

TRADING in the derivatives market remained directionless and volatile as the lack of economic or political data gave little on which to focus, writes Joel Kibazo.

Stock index futures opened at 2,580, and an initial setback in the March contract on the FT-SE was followed by a slight squeeze sending March to 2,582, the high of the day.

However, buying interest faded after that initial run, leaving the contracts to drift lower to reach 2,567, its lowest point.

The firm opening on Wall Street saw interest in the contract return and a brief rally was attempted, but New York's retreat soon put paid to further advances. Dealers talked of sizeable rolling into the June contract and out of March.

March ended at 2,569, just two points above estimated fair value premium to cash of around six. Turnover at around 4,500 contracts, included over 1,000 contracts traded in June.

In traded options business was dull and turnover totalled 23,702 contracts. The FT-SE 100 Index option traded 5,331 lots, part of which was attributed to one house unwinding a big call spread. BP was the busiest stock option trading 1622 contracts.

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
5pc 1992 ‡‡		[illegible]	—	[illegible]	[illegible]	8.02	10.24
10½pc Cv 1992‡‡		100	—	[illegible]	98½	10.60	10.23
3pc 1992		[illegible]	[illegible]	[illegible]	[illegible]	3.04	8.04
Exch 12¼pc 1992		[illegible]	—	[illegible]	[illegible]	12.12	10.05
13½pc 1992		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¼pc 1993		[illegible]	[illegible]	[illegible]	94	8.34	9.47
10pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12½pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	12.07	[illegible]
Funding 6pc 1993‡‡		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]
Treas 13¾pc 1993‡‡		[illegible]	[illegible]	[illegible]	[illegible]	12.92	[illegible]
8½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14½pc 1994‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13½pc 1994		[illegible]	[illegible]	109	[illegible]	[illegible]	[illegible]
Treas 10pc Ln 1994‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 12½pc 1994		[illegible]	[illegible]	[illegible]	[illegible]	11.73	[illegible]
Treas 9pc 1994‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
12pc 1995		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 3pc Gas 90–95		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
10¼pc 1995		102	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 12¾pc 1995‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
14pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9pc 1992–96‡‡		[illegible]	—	[illegible]	[illegible]	[illegible]	[illegible]
15¼pc 1996‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 13¼pc 1996‡‡		112	[illegible]	[illegible]	109	[illegible]	[illegible]
Conversion 10pc 1996		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Five to Fifteen Years							
Treas 13¼pc 1997‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 10½pc 1997		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 8¾pc 1997‡‡		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Exch 15pc 1997		122	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9¾pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treas 6¾pc 1995–98‡‡		[illegible]	[illegible]	[illegible]	[illegible]	7.85	[illegible]
15½pc '98‡‡		[illegible]	[illegible]	[illegible]	[illegible]	12.14	[illegible]
Exch 12pc 1998		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BRITISH FUNDS - Cont.

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
Treas 9½pc 1999‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.49	9.40
Exch 12¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.67
Treas 10½pc 1999		105	[illegible]	[illegible]	[illegible]	[illegible]	9.57
Conversion 10¼pc 1999		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.58
9pc 2000‡‡		[illegible]	[illegible]	[illegible]	[illegible]	9.18	9.39
Treas 13pc 2000		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.75
10pc 2001		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	9.60
14pc '98–01		[illegible]	[illegible]	[illegible]	[illegible]	11.76	9.88
[illegible]							

BRITISH FUNDS - Cont.

Index – Linked	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield (1)	Yield (2)
	(b)						
Treas. 2pc '94	(102.9)	[illegible]	—	[illegible]	[illegible]	2.16	3.31
2pc '96	(67.9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.63
2½pc '01	(78.3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.14
2½pc '03	(78.8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.21
2pc '06	(69.5)	[illegible]	[illegible]	144	[illegible]	4.10	4.30
2½pc '09	(78.8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.33
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, ie 8 months prior to issue and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for June 1991: 134.1 and for January 1992: 135.6.

OTHER FIXED INTEREST

	Notes	Price £	+ or -	1991/92 high	1991/92 low	Yield Int.	Yield Red.
[illegible]							
Leeds 13½pc 2006		[illegible]					
Liverpool 3½pc Irred		[illegible]					
LCC 3pc '20 Aft		[illegible]					
Manchester 11½pc 2007		[illegible]					
Met. Wtr. 3pc 'B'		[illegible]					
N'wide Anglia 3⅞pc 2021		[illegible]					
4⅛pc IL 2024		[illegible]					
Utd Mex States 16½pc 2008		[illegible]					

APPOINTMENTS

Lawson elected to ICA

Roger Lawson, 3i's director for Asia, Pacific and the US, was yesterday declared vice president of the Institute of Chartered Accountants in England and Wales in the first ever contested elections for the post.

It makes him one of only a handful of vice-presidents in more than 100 years of the Institute's history who does not work in a firm of chartered accountants.

He takes up his post in June, and is likely to give greater prominence to the concerns of chartered accountants in business, who make up more than half of the Institute's 97,000 members.

The election remains only partly democratic. Only elected council members of the Institute may vote, and Lawson will only succeed to the presidency after two years.

Lawson beat Chris Swinson, the outspoken managing partner of BDO Binder Hamlyn, and Pat Brenan, a director of Minories Finance, formally Johnson Matthey bank, by a substantial margin in a transferable vote election.

■ Alain Segui, executive vice-president of Source Perrier's international division, is joining United Distillers, the Guinness spirits company, as regional director for central Europe.

Segui, who joined Perrier in 1979, has been responsible since 1986 for building the mineral water business in all markets except France and the US. He helped increase turnover from FFr 750m to FFr 2bn in 1990.

At United Distillers, Segui, 44, will be responsible for the overall business management of operations in France, Italy, Netherlands, Belgium, and eastern Europe. He will be based in Paris.

He succeeds Claude de Jouvencel who has been promoted to business development director based at United Distillers' headquarters in London.

Non-executive directors

■ HILLSDOWN HOLDINGS continues to acknowledge the wishes of institutional shareholders with the appointment of another outside director.

Sir Roy Griffiths, who retired as non-executive deputy chairman of J Sainsbury last year, joins the Hillsdown board in a non-executive capacity. Sir Roy became deputy chairman of Sainsburys in 1975 and was managing director between 1979 and 1988.

The diversifed food group chaired by Sir Harry Salomon had not appointed any outside directors until Sir John Nott was invited onto the board last September. Tony Brice, formerly an executive director, is also a non-executive director.

■ Sir Leslie Porter at HELENE.
■ Ian Irvine, deputy chief executive of Reed International, at MEPC.
■ John Eccles, chief executive of the Commonwealth Development Corporation, at COURTAULDS TEXTILES.
■ Bill Farrer, recently retired solicitor and governor of the Burghley House Preservation Trust, at SOTHEBY'S.
■ Sir Ronald Grierson, formerly vice-chairman of GEC, at HOSPITAL CORPORATION INTERNATIONAL.
■ Geoffrey Williams at STANDARD CHARTERED, having ceased his executive duties.
■ Jean Peyrelevade, Brian Gilbertson and Alan Romanis at TRANSATLANTIC HOLDINGS.
■ Robert Paine at CONDER.
■ Tom Robson has retired from HICKSON INTERNATIONAL.

Northumbrian's year-long search over

Northumbrian Water Group, one of the smaller former regional authorities privatised over two years ago, has appointed Michael Taylor as group finance director after a search lasting over a year.

Taylor, 46, was group finance director of Hickson International, the chemical and timber protection group, from 1986 to last year.

Northumbrian's search for a new finance director began in January last year when Michael Murden resigned as managing director after an apparent policy disagreement with Sir Michael Straker, Northumbrian's chairman.

David Cranston, then finance director, temporarily combined that role with Murden's while a replacement was sought. Cranston now continues as group chief executive.

In his new job, Taylor will be responsible for the development and implementation of financial strategy and control throughout the group, and for the group's treasury, tax and audit functions.

Cranston said yesterday: "We have been keen to make sure we make the right appointment. Michael Taylor's appointment will allow me to devote more time to the strategic development of the group."

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price	Pool selling price
0030	[illegible]	[illegible]
0100	[illegible]	[illegible]
0130	[illegible]	[illegible]
0200	[illegible]	[illegible]
0230	[illegible]	[illegible]
0300	[illegible]	[illegible]
0330	[illegible]	[illegible]
0400	[illegible]	[illegible]
0430	[illegible]	[illegible]
0500	[illegible]	[illegible]
0530	[illegible]	[illegible]
0600	[illegible]	[illegible]
0630	[illegible]	[illegible]
0700	[illegible]	[illegible]
0730	[illegible]	[illegible]
0800	[illegible]	[illegible]
0830	[illegible]	[illegible]
0900	[illegible]	[illegible]
0930	[illegible]	[illegible]
1000	[illegible]	[illegible]
1030	[illegible]	[illegible]
1100	[illegible]	[illegible]
1130	[illegible]	[illegible]
1200	[illegible]	[illegible]
1230	[illegible]	[illegible]
1300	[illegible]	[illegible]
1330	[illegible]	[illegible]
1400	[illegible]	[illegible]
1430	[illegible]	[illegible]
1500	[illegible]	[illegible]
1530	[illegible]	[illegible]
1600	[illegible]	[illegible]
1630	[illegible]	[illegible]
1700	[illegible]	[illegible]
1730	[illegible]	[illegible]
1800	[illegible]	[illegible]
1830	[illegible]	[illegible]
1900	[illegible]	[illegible]
1930	[illegible]	[illegible]
2000	[illegible]	[illegible]
2030	[illegible]	[illegible]
2100	[illegible]	[illegible]
2130	[illegible]	[illegible]
2200	[illegible]	[illegible]
2230	[illegible]	[illegible]
2300	[illegible]	[illegible]
2330	[illegible]	[illegible]
2400	[illegible]	[illegible]

NGC Settlements Limited

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs		38¼xd	+3/16	38 11/16	20⅞	15,416	1.9
♥Allegheny & W		317p	+8	385p	218p	164.7	5.3
Amdahl		1067p	−83	1169p	667p	1,184	0.5
Amer Cyanamid		35⅜xd	—	42⅛	25⅜	3,392	2.3
Amer Express		12xd	+1/32	17⅞	9 11/16	5,645	4.7
Amer T & T		21 3/16xd	+¼	24½	15¼	27,838	3.5
Ameritech		34⅛	−¼	38⅞	32½	14,941	5.6
BankAmerica		28xd	+¾	26 3/16	12 1/16	6,652	2.8
Bankers NY		35 3/16xd	+⅝	38 3/16	20 3/16	2,902	7.8
Bell Atlantic		24¾xd	−⅛	30½	24¼	9,733	5.7
BellSouth		26¼	−¼	31¼	25	12,732	5.9
♥Bethlehem Steel		8⅝xd	+3/16	11¼	6 9/16	657.4	—
Bowater		1864p	+18	1839p	1042p	681.8	4.3
CPC		49 13/16xd	+1 11/16	54 13/16	37 11/16	3,765	2.5
California Engy		753p	+16	930p	420p	137.1	—
Campbell Soup	h	20 13/16	−3/16	25	14⅛	5,263	1.9
Chase Manhattan		13 3/16xd	−3/16	14 3/16	5 3/16	1,844	5.0
Chrysler		9 13/16xd	+3/16	18⅛	5⅛	2,904	3.4
Chicorp		9⅞xd	—	10⅞	4⅝	3,302	—
Colgate-Palm		27¼xd	+½	27⅞	21 3/16	3,983	2.2
Cont'l Bank		952p	−28	878p	438p	962.0	3.5
Dana		21⅛xd	+13/16	21⅝	13⅝	888.3	4.3
Data General		706p	+16	1262p	203p	164.8	—
Dial		28⅞xd	+13/16	28⅞	12⅞	1,145	2.7
Dun & Brad		32¼	—	32¼	20¾	5,765	3.8
Eaton		41½	+⅛	41⅞	24¼	1,413	3.0
Echlin		9½xd	+⅜	9½	5½	538.5	4.7
FPL		19¼xd	+⅛	20⅛	14 7/16	3,263	7.0
Fluor		24⅝xd	+½	30 3/16	17 3/16	1,997	0.9
Ford Motor		21 3/16xd	+3/16	23¼	13	18,207	2.8
Gen Elect		45 3/16xd	−⅛	46 13/16	28 3/16	39,375	2.6
♥General Host		490p	−6	565p	270p	—	4.1
Gillette		28 7/16xd	+7/16	45¾	20⅞	8,218	1.2
Hasbro		21½	−¼	24	7 13/16	1,232	0.5
Honeywell		41 13/16xd	+⅛	42 3/16	21¼	2,924	2.2
Houston Inds		23½	−¼	24⅞	17⅞	3,029	7.1
IBM		50¾xd	+⅝	72 13/16	46	29,636	5.4
Ingersoll-Rand		36⅛xd	+1	37½	18 7/16	1,886	2.1
Lockheed		26½	+¼	28⅛	16⅞	1,614	4.4
Lowe's		2271p	+14	2478p	1245p	828.9	1.4
Merrill Lynch		33⅝xd	−⅞	39 13/16	10 1/16	3,451	1.7
Morgan (JP)		34 13/16xd	+1/16	38¼	21 11/16	6,598	3.5
Morris (Philip)		43 13/16xd	+⅛	44⅝	25 7/16	40,678	2.7
NYNEX		41¾	−¼	45¾	39	8,486	6.1
♥Pac Agric		28p	—	85p	15p	—	—
Pall		17⅛	−⅛	17 13/16	10 3/16	1,582	1.2
Pennzoil		25 3/16xd	+3/16	45⅛	25¼	1,063	6.4
Quaker Oats		36¼	+1⅛	40 3/16	24⅞	2,810	2.6
Rockwell		15 3/16xd	+¼	17⅞	12⅛	3,561	3.4
Rep NY		23 13/16	—	27 13/16	18½	1,245	2.4
Sears, Roebuck		23 3/16xd	+3/16	25⅝	12 13/16	8,795	4.4
Stwestern Bell		34¾	+⅛	35⅞	25⅝	10,419	4.6
Sun Co		13¾xd	−1/16	20¼	14⅛	1,678	6.5
Tenneco		22⅞xd	+13/16	27⅛	14⅞	2,801	4.0
Texaco		33½xd	+13/16	40½	29 3/16	8,858	5.4
Time Warner		61⅛xd	+1 13/16	64½	37⅞	5,644	0.9
♥Unitab		587p	—	587p	250p	648.3	—
Utd Tech		30¼xd	+1¼	31½	32⅞	3,748	3.3
♥Utilitech		101p	—	101p	42p	—	—
US West		19¾	—	23	18¼	[illegible]	5.9
Vanity		771p	+74	1410p	578p	192.4	—
Waste Manage		25 7/16xd	+11/16	28	16⅝	12,025	1.0
Whirlpool		2574pxd	+72	2780p	1053p	1,789	2.4
♥Woolworth		16¼	+⅜	20 3/16	12¾	2,184	3.6

CANADIANS

	Notes	Price £	+ or -	1991/92 high	low	Mkt Cap£m	Yld Gr's
♥Abbot Energy		8p	—	11p	1¾p	—	—
Amer Barrick		1581p	+16	1640p	854p	2,169	0.5
Bk Montreal		21⅝	—	23¼	13	2,598	6.3
Bk Nova Scot		1048p	−3	1176p	538p	2,107	4.5
♥BC Gas		824p	−4	870p	630p	—	3.9
BCE		23⅛	—	24½	17¼	7,168	6.7
♥Brascan		936p	−1	1060p	647p	760.6	6.0
♥Breakwater		23¼p	−2	30p	6p	14.8	23.2
Can Imp Bk		1566p	−20	1610p	1180p	2,929	4.4
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING AEROSPACE

[illegible]

ENGINEERING GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HEALTH & HOUSEHOLD - Cont.

[illegible]

HOTELS & LEISURE

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS - Cont.

METALS & METAL FORMING

MISCELLANEOUS

MOTORS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

STORES

MINES

MINES - Cont.

MEDIA

MERCHANT BANKS

OIL & GAS

PACKAGING, PAPER & PRINTING

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, that is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Subject to local tax.
z Dividend yield includes a special payment
E Minimum tender price.
F Yield based on prospectus or other official estimates for 1990-91.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1991.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1991-92.
N Yield based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1991.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: [illegible]

BID PRICE: [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

FT MANAGED FUNDS SERVICE

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Standard Life Tst Mgmt Ltd

Stewart Unit Tst Mgrs Ltd

Storehouse Unit Tst Mgrs Ltd

Sun Alliance Unit Tst Mgmt Ltd

Sun Life of Canada Unit Mgrs Ltd

Sun Life Trust Mngmt Ltd

Swiss Life Unit Tst Man Co Ltd

TSB Unit Trusts

Target Trust Mngrs Ltd

Templeton Unit Trust Managers Ltd

Thornton Unit Managers Ltd

Three Counties Asset Mngmt Ltd

Tunbridge Wells Equitable Unit Trust Managers Ltd

Tyndall Trust Mngrs Ltd

United Charities Unit Trusts

Waverley Unit Tst Mngt Ltd

Wesleyan Asset Management

Whittingdale Unit Tst Mgmt Ltd

Woolwich Unit Trust Managers Ltd

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities Official Inv Fund

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Henderson Unit Trust Management Ltd

INVESCO MIM Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst.

M & G Securities Ltd

Morgan Grenfell Investment Funds Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

Rothschild Asset Management

N. Rothschild Fund Managers Ltd

Societe Generale Touche Remnant UT Mngt

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

INSURANCES

Abbey Life Assurance Co Ltd

Aetna Life Assurance Ltd

AEGON Life Assurance Co (UK) Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Allied Dunbar Assurance Plc—Contd.

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Assurance

Britannia Life Assurance

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

Century Life Plc

Citibank Life

City of Westminster Assurance

Clerical Medical/Fidelity Investments

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Combined Life Assurance Co

Commercial Union Group

Consolidated Life Assurance Co Ltd

Cornhill Insurance PLC

Crown Financial Management Ltd

Eagle Star Life Assurance Co Ltd

Eagle Star Insur./Midland Assur.

Equitable Life Assurance Society

Equity & Law

Eurolife Assurance Company Ltd

Family Assurance Society

Friends Provident

FS Assurance Ltd

GT Unit Managers Ltd

General Accident

General Portfolio Life Insur Plc

Gresham Unit Assurance Ltd

Growth & Sec. Life Assur. Soc. Ltd

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Homeowners Friendly Society

Ideal Insurance Co Ltd

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

Lancashire & Yorkshire Assce Society

Laurentian Life plc

Legal & General

Assicurazioni GENERALI SpA

Liberty Life Assurance Co Ltd

Life Association of Scotland

Lifetime Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

MGM Assurance

Manchester Unity Assurance

Manulife Group

Merchant Investors Assurance Co Ltd

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Continued on next page

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	Bid Price	Offer Price	+ or −	Yield Gross
Norwich Union Life Insurance Soc.–Contd.				
Pensionmaster* & Unit-Linked Plus*				
Mixed Fund	447.5	471.1	+1.2	–
Ordinary Share Fund	671.7	707.1	+1.9	–
International Fund	176.1	185.4	+1.0	–
Property Fund	258.6	272.2	+0.2	–
Fixed Interest Fund	397.0	417.9	−1.8	–
Index Linked Sec Fund	193.6	203.8	+0.2	–
Deposit Fund	276.9	291.5	+0.3	–
Norwich Units Feb 14	1053.70			–
*Prices as at March 3				
Jersey Investment Plan				
With Profits Fund	122.22	128.65	+0.03	–
Intl Equity Fund	95.57	100.60	+0.27	–
Intl Bond Fund	121.16	127.54	+0.36	–
Norwich Union Pensions Management Ltd				
Surrey Street, Norwich, NR1 3NG 0603 683335				
Group Pooled Pensions				
Balanced Managed Fd.	319.56	324.88	+0.47	–
Growth Managed Fd.	106.33	108.20	+0.23	–
Sentinel Managed Fd.	105.03	106.47	+0.11	–
Prices as at March 3				
Pearl Assurance (Unit Funds) Ltd				
Thorpe Wood, Peterborough PE3 6SA 0733 63212				
Prop. Dist. (Gross)	133.6	140.7	+0.1	–
Prop. Acc. (Gross)	254.7	268.1	+0.1	–
Equity (Gross)	866.0	911.5	+1.2	–
Managed (Gross)	606.4	638.3	+0.6	–
Prop. Acc. (Net)	121.5	127.9		–
Equity (Net)	200.8	211.3	+0.2	–
Managed (Net)	186.8	196.6	+0.2	–
International (Net)	171.0	180.0	+0.2	–
Gilt & Fixed Interest	134.3	141.4	−0.2	–
Money Fund	136.9	144.1	+0.1	–
Mixed Fund (Cap)	117.5	123.7		–
Mixed Fund (Acc)	120.8	127.2		–
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	662.3	697.2	+0.2	–
Ret Man (Series 2)	224.6	236.5	+0.1	–
Ret Cash	191.1	201.2	+0.1	–
Pens Mixed Fd (Cap)	131.2	138.2		–
Pens Mixed Fd (Acc)	134.9	142.0		–
Pens Stlg Fd (Cap)	101.4	106.8		–

	Bid Price	Offer Price	+ or −	Yield Gross
Provident Mutual Life Assc. Assn.–Contd.				
Pension Funds				
Managed Ord	466.6	491.2	+0.7	–
Managed Init.	344.0	362.1	+0.4	–
Equity Ord	709.6	746.9	+1.4	–
Equity Init.	523.2	550.7	+1	–
Pen Ind Lkd Gilt Ord.	182.3	191.9	+0.5	–
Pen Ind Lkd Gilt Init.	140.3	147.7	+0.3	–
Overseas Equity Ord.	327.0	344.2	+0.3	–
Overseas Equity Init.	241.2	253.8	+0.2	–
Property Ord.	278.1	292.7	+0.1	–
Property Init.	205.0	215.8	–	–
Fixed Interest Ord	279.2	293.9	−0.3	–
Fixed Interest Init.	205.8	216.6	−0.3	–
Deposit Ord	260.5	274.2	+0.1	–
Deposit Init.	192.0	202.1		–
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed Mar 4	259.8	270.7	+1.6	–
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary Mar 2	£183.94	189.94		–
Equity Mar 2	£207.61	214.61		–
International Mar 2	£28.53	29.14		–
Intl Bond Mar 2	£14.55	14.73		–
Fixed Int Mar 2	£101.06	102.21		–
Index Linked Mar 2	£73.41	74.34		–
Property Mar 2	£106.83	112.92		–
Cash Mar 2	£29.7946	29.7946		–
Pru-Linked Retirement Plan				
Managed Mar 3	448.1	466.8	+0.3	–
Cash Mar 3	274.6	286.1	+0.5	–
Prudential Pensions Investment Account				
Pens Mngd Mar 4	179.4	193.1	+1.	–
Pens UK Eq Mar 4	314.1	338.6	+2.2	–
Pens Intl Mar 4	204.7	220.0	+0.5	–
Pens Global Eqty Mar 4	100.8	106.2	+0.5	–
Pens Fixed Mar 4	230.3	243.2	−0.4	–
Pens Index Lk Mar 4	190.6	201.3	+0.1	–

Scottish Amicable

150 St Vincent St, Glasgow 041-248 2323

Sun Alliance Group

Wesleyan Assurance Society

Windsor Life Assur Co Ltd

Providence Capitol International Ltd

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

J. D. Ward Financial Services Ltd

Rothschild Asset Management – Contd.

Royal Bank of Canada Funds

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (REGULATED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

		Bid Price	Offer Price	+ or -	Yield Gross
CMI Fund Managers (IoM)					
Clerical Medical Hse, Douglas, IoM 0624 625999					
High Income	5	0.4888	0.5146	.....	10.22
CMI Core Portfolio Fund					
UK	5	£- 1.0292	1.0961		-
USA	5	£- 1.0874	1.1513		-
Japan	5	£- 0.5698	0.6015		-
Equity & Law Intl Fund Mngrs Ltd					
Victory Hse, Prospect Hill, Douglas IoM 0624 677877					
Total Income Fd	5	94.75	94.75 / 99.72	+0.03	10.2
Gartmore Fund Managers (IoM)					
PO Box 32, Douglas, IoM 0624 627610					
Intl Grth	5¼	501.8	501.8 / 535.9	+1.3	0.9
Leopold Joseph Fund Mngrs (IoM) Ltd					
PO Box 52 Athol St, Douglas IoM 0624 661020					
L.J. International	5¼	95.11	95.11 / 102.31	-0.18	-
Mercury Fund Managers IoM Ltd					
11 Hill Street, Douglas IoM 0624 662255					
Merc IoM Fund	5	105.6	105.6 / 112.7	+0.19	7.4
Merc Intl Bond	5	54.08	54.08 / 56.85	-0.04	8.4
Sun Life Management (IoM) Ltd					
PO Box 178, Douglas, IoM 0624 622444					
Secure High Income	6	[illegible]	1.0309 / 1.1072	[illegible]	8.13
Unibank Scandinavian Fund Ltd					
23 Bucks Road, Douglas, IoM 06246 26484					
Scandinavia Fd	5	-	139.40 / 148.63	.....	1.0

ISLE OF MAN (REGULATED)(**)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
EBC Trust Company (Jersey) Ltd						
EBC Amro Traded Currency Fund Ltd*						
Income	-		$15.59	15.862	-0.020	4.06
Capital	-		$23.64	24.359	-0.032	3.50
*Offer price includes 3% prelim. charge						
International Income Fund						
Eurobd.Long Term*	-		$33.17	34.6828	+0.1658	4.87
* Offer Price includes 3½% Initial Charge						
Equitilink International Mngt Ltd						
First Aust Prime Inc Inv Co Ltd NAV Feb 27 C$12.4b						
First Aust Prime Inc Inv Co Ltd NAV Feb 27 US$10.57						
NAV Diluted to reflect exercise of all Wrrts. C$12.18 US$10.33						
Fidelity Investment (CI) Ltd						
Sterling American			£2.527	2.660	...	-
Fleming Group						
Robert Fleming Management (Jersey) Ltd						
Fleming Concord Fund						
European			£6.59	7.03	+0.04	-
Far Eastern			£4.67	4.98	-0.02	-
North American			£9.21	9.79	+0.05	0.12
Sterling Bond			102.02	108.45	-0.06	9.96
UK Growth			290.37	308.54	+2.06	0.97
Other Fleming Funds						
Sterling Deposit			387.6	388.0	+0.10	0.06
Global Portfolio Fd £			£6.26	6.77	-0.02	0.55
Global Portfolio Fd $			$10.87	11.76	-0.05	0.55
Deutschland Inv Co NAV			DM16.06			-
Robert Fleming Management (Bermuda) Ltd						
Gold			$10.90	11.48	-0.06	-
Save & Prosper						
Fixed Interest Funds						
Japan Inc & Grth			Y2,059	2,179	+1	4.08
Equity Funds						
Insurance Managed			$8.83	9.30	..	-
Foreign & Colonial Mngmt (Jersey) Ltd						

	Bid Price	Offer Price	+ or -	Yield Gross
Global Asset Management – Contd.				
GAM Overseas	$207.39			-
GAM Pacific	$579.05			-
GAM Pacific Basin Fd	$132.63			-
GAM Restructuring	$161.84			-
GAM Selection	$490.65		+7.06	-
GAM SFr Special Bond	SFr107.78			-
GAM Tyche	$285.82			-
GAM U S	$220.78			-
GAM US Investments	$486.02			-
GAM Value	99.56			-
GAM Whitethorn	$172.52		-0.35	-

	Bid Price	Offer Price	+ or -	Yield Gross
Orbis Investment Management Ltd				
Orbis Global Eqty.	$13.27	13.94	..	-
Orbis Optimal Eqty	$17.05	17.92	..	-
Orbis Leveraged Eqty	$18.47	19.53	..	-
* Prices on Feb 27 Next Pricing Mar 5 Weekly Pricing				
Orbitex Bahamas Ltd				
Orbitex Nat Res Fd	$57.4897	8.2387		-
Orbitex Growth Fund	$7.5804	8.3384		-
[illegible]	$5.5792	5.9171		-
ORIENT Growth Fd				
NAV		$9.38	-0.10	-

	Bid Price	Offer Price	+ or -	Yield Gross
Asian Warrants	$11.60	12.29	(z)	-
European Warrants	$4.93	5.23	(z)	-
Managed	HK$10.91	11.55	(z)	-
Private Capital Tst		$20.39	(z)	-
Wellington Fd Mngrs (Bermuda) Ltd				
Intl Growth Fd	$13.61	14.30	.	-
Wells Fargo U.S. IT Fund				
Wells Fargo A Shs (z)		$10.77	-0.08	-
Wells Fargo B Shs (z)		$10.11	-0.20	-
Xiphias International Investment Fd Ltd				
Xiphias Int USD		$1.1005	.....	-
Xiphias Int ECU		Ecu1.0685		-
Yamaichi Capital Mngmt (Guernsey) Ltd				
Thai Inv Fund		$10.51	..	-

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. b Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. e Designated in Luxembourg as a UCITS (Undertakings for Collective Investment in Transferable Securities). x Offered price includes all expenses except agent's commission. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

(**) Funds not SIB recognised. The regulatory authorities for these funds are: Guernsey: Financial Services Commission; Ireland: Central Bank of Ireland; Isle of Man: Financial Supervision Commission; Jersey: Commercial Relations Department; Luxembourg: Institut Monétaire Luxembourgeois.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Strong dollar heads upwards

A CONTINUED surge by the dollar yesterday saw it break through resistance at the DM1.6650 level, and survive three attempts to hold it back against the yen.

In late European trading it was carried through DM1.6650 on a rush of large orders in New York, and closed at DM1.6720. It also broke through the Y132 level, to reach Y132.10/20.

The third successive day of heavy gains by the dollar had begun with a breach of heavy resistance in the Far East, to take it to a close of DM1.6630 and Y131.50.

Dealers said the Bank of Japan had intervened on three separate occasions at Y130.90, Y130.85, and Y131.10/15, but had been unable to hold the dollar down.

Its task was not made any easier by comments - which one dealer described as an "own goal" - by Mr Tsutomu Hata, Japan's deputy finance minister, who remarked that currency intervention was of little use, when the dollar was rising on the back of speculative buying at precisely the same time as the Bank of Japan was selling dollars for yen in the market.

Many dealers now feel it would take coordinated action by central banks to halt the dollar's progress. Dollar optimism was unaffected by slightly disappointing US factory orders figures, which showed only a 0.4 per cent rise for January against the 1 per cent expected. But Friday's payroll figures remain a possible dark cloud on the horizon, although market predictions range widely from around a 50,000 fall to a 75,000 increase.

"If Friday's payroll data are are strong they will push the dollar higher still, and then we would be looking at the DM1.70 level," one economist predicted.

High German interest rates have so far limited the dollar's gains against the D-mark, but it is still seen heading towards the DM1.70 barrier, where resistance may be expected.

In New York last night the dollar started by largely holding onto its gains, standing at DM1.6710/15 and Y132.05/10 at midsession.

The D-mark generally held its ground in the EMS, despite its fall against the dollar. The French franc, against which the D-mark had hit a six-month low on Tuesday, was unable to beat resistance at FFr3.3950, and slipped back to FFr3.3978/79, compared with FFr3.3973/75.

The German currency also rose against the Swiss franc to SFr0.9110 from SFr0.9089, with no sign of intervention from the Swiss National Bank. Traders said the Swiss bank's absence was encouraging the market view that the Swiss were prepared to suffer a weaker exchange rate to keep interest rates below German levels.

Sterling traded in an extremely tight band against the D-mark, closing at DM2.8825, against DM3.8800 on Tuesday. It dipped towards the close against the dollar, ending at $1.7235 from a previous close of $1.7400.

£ IN NEW YORK

Mar.4	Latest	Previous Close
£ Spot	1.7225-1.7235	1.7380-1.7390
1 month	0.92-0.91pm	0.95-0.93pm
3 months	2.63-2.60pm	2.58-2.55pm
12 months	8.40-8.30pm	8.40-8.30pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Mar 4	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.508	-3.83	6.04	66
Belgian Franc	42.4032	42.0825	-0.76	2.75	38
Dutch Guilder	2.31643	2.30210	-0.62	2.61	31
D-Mark	2.05586	2.04601	-0.48	2.46	32
Italian Lira	1538.24	1533.20	-0.33	2.31	17
Irish Punt	0.767417	0.765339	-0.27	2.25	13
French Franc	6.89509	6.95198	0.83	1.14	-44
Danish Krone	7.84195	7.92955	1.12	0.85	-50
Sterling	0.696904	0.710650	1.97	0.00	-99

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Mar 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7205 - 1.7375	1.7230 - 1.7240	0.92-0.90cpm	6.34	2.64-2.61pm	6.09
Canada	2.0505 - 2.0715	2.0545 - 2.0555	0.64-0.55cpm	3.47	1.59-1.48pm	2.99
Netherlands	3.2350 - 3.2455	3.2350 - 3.2450	[illegible]	0.93	[illegible]	0.62
Belgium	58.75 - 59.35	58.75 - 58.85	6-3cpm	0.92	14-9pm	0.78
Denmark	11.1425 - 11.1785	11.1425 - 11.1525	[illegible]orepm	0.47	[illegible]pm	0.49
Ireland	1.0765 - 1.0785	1.0770 - 1.0780	0.02-0.01cpm	0.17	0.05-0.02pm	0.13
Germany	2.8765 - 2.8850	2.8800 - 2.8850	[illegible]pfpm	0.78	[illegible]pm	0.61
Portugal	246.40 - 247.85	246.45 - 247.45	58-71cdis	-3.13	196-222dis	-3.39
Spain	180.65 - 181.00	180.70 - 181.00	26-31cdis	-1.89	91-101dis	-2.12
Italy	2156.65 - 2160.90	2158.75 - 2159.75	3-4liredis	-1.95	7-9dis	-1.48
Norway	11.2625 - 11.2915	11.2625 - 11.2725	[illegible]orepm	0.33	[illegible]dis	-0.51
France	9.7725 - 9.7990	9.7850 - 9.7950	[illegible]cpm	0.38	[illegible]pm	0.13
Sweden	10.4140 - 10.4485	10.4175 - 10.4275	[illegible]oredis	-1.3	[illegible]dis	-1.49
Japan	227.20 - 228.80	227.25 - 228.25	[illegible]ypm	4.94	[illegible]pm	5.16
Austria	20.23 - 20.29	20.24 - 20.27	[illegible]ypm	0.78	[illegible]pm	0.62
Switzerland	2.6185 - 2.6300	2.6200 - 2.6300	[illegible]cpm	2.29	[illegible]dis	-2.38
Ecu	1.4045 - 1.4085	1.4045 - 1.4055	0.07-0.03cpm	0.43	0.09-0.03pm	0.17

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.87-4.82cpm . 12 Month 8.35-8.25pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Mar 4	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7205 - 1.7375	1.7230 - 1.7240	0.92-0.90cpm	6.34	2.64-2.61pm	6.09
Ireland†	1.5935 - 1.6125	1.5975 - 1.5985	0.85-0.82cpm	6.27	2.46-2.39pm	6.07
Canada	1.1890 - 1.1940	1.1915 - 1.1925	0.27-0.30cdis	-2.87	0.92-0.96dis	-3.15
Netherlands	1.8650 - 1.8820	1.8800 - 1.8810	0.84-0.87cdis	-5.46	2.57-2.60dis	-5.50
Belgium	34.10 - 34.90	34.10 - 34.20	15.00-16.00cdis	-5.45	45.00-47.00dis	-5.39
Denmark	6.4235 - 6.4700	6.4650 - 6.4700	2.90-3.20oredis	-5.66	8.85-9.45dis	-5.66
Germany	1.6570 - 1.6735	1.6715 - 1.6725	0.76-0.77pfdis	-5.49	2.29-2.31dis	-5.50
Portugal	142.65 - 143.50	143.40 - 143.50	108-113cdis	-9.24	328-338dis	-9.29
Spain	104.00 - 105.25	105.15 - 105.25	71-73cdis	-8.21	2.14-2.19dis	-4.08

MONEY MARKETS

All eyes on Budget

THE UK money market continued its policy of watching and waiting ahead of the Budget next Tuesday.

Speculation about the timing of a base rate cut is intensifying, with a majority of dealers still believing one will come next week, either just after the Budget – provided the market reacts positively to it – or on the day itself, the so-called "double whammy".

Others, however, are more pessimistic, believing that the government may not lower rates before the general election, or will hold back if market reaction to the Budget is negative.

The key three-month interbank rate, often a pointer to the direction of interest rates, seemed to reflect the more pessimistic view, holding steady at 10⅝-10½ per cent. Some players are surprised the rate is not closer to 10, given the expectations of an imminent rate cut.

The March short sterling contract ended three basis points down at 89.66.

Liquidity was easier than in recent days, with the Bank of England quickly taking out much of the shortage. It forecast a £1.3bn shortage, but immediately purchased £1,272m of bills for resale to the market on March 23, 24 and 25 at 10 7/16 per cent.

The forecast rose at midday to £1.4bn, but the Bank did not act until a further increase in the forecast to £1.45bn, when it bought £196m of band 1 bank bills at 10⅜ per cent.

The overnight rate was easier as a result, moving down from 10¼-10⅜ per cent to 10-9¾ after the Bank's morning operation, and later to around 9¼ per cent.

In Germany, the Bundesbank drained DM2.5bn from the banking system, a move underscoring its determination to keep monetary policy tight. Dealers had been expecting the bank to replace fully two securities repurchase agreements worth DM44.5bn, which expired yesterday. In fact it allocated only DM42bn – seen as surprising in a month in which heavy tax payments mean large sums are withdrawn from the system.

Dealers noted the bank could have made a larger allocation, but chose not to accept bids below 9.45 per cent. They did not, however, expect any change in interest rates at today's regular Bundesbank council meeting. Call money rates were virtually unchanged at 9.60/65 per cent.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

EXCHANGE CROSS RATES

Mar.4	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Ecu
£	1	1.724	2.883	227.6	9.790	2.625	3.240	2159.	2.055	58.80	1.405
$	0.580	1	1.672	132.1	5.679	1.523	1.879	1252	1.192	34.11	0.815
DM	0.347	0.598	1	79.01	3.396	0.911	1.124	748.9	0.713	20.40	0.487
YEN	4.390	7.568	12.66	1000.	42.98	11.52	14.22	9478	9.021	258.1	6.168
F Fr.	1.021	1.761	2.945	232.7	10.	2.681	3.309	2205	2.099	60.06	1.435
S Fr.	0.381	0.657	1.098	86.78	3.730	1	1.234	822.5	0.783	22.40	0.535
N Fl.	0.309	0.532	0.890	70.31	3.022	0.810	1	666.4	0.634	18.15	0.434
Lira	0.463	0.799	1.335	105.5	4.535	1.216	1.501	1000.	0.952	27.23	0.651
C$	0.487	0.839	1.403	110.9	4.764	1.277	1.577	1051	1	28.61	0.684
B Fr.	1.701	2.932	4.903	387.4	16.65	4.464	5.510	3672	3.495	100.	2.389
Ecu	0.712	1.227	2.052	162.1	6.968	1.868	2.306	1537	1.463	41.85	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls June	Calls September	Calls December	Puts June	Puts September	Puts December
106	-	-	-	0.05	-	-
107	-	-	-	0.13	-	-
108	-	-	-	0.33	0.65	-
109	0.90	1.46	-	0.65	1.00	-
110	0.46	1.02	-	1.19	-	-
111	0.20	-	-	-	-	-
112	0.08	-	-	-	-	-
Open Int.	82,652	11,718	-	67,028	4,676	90

Estimated volume 8,933 Total Open Interest 166,124

THREE MONTH EURO SWISS FRANC
SFR 1m points of 100%

	Close	High	Low	Prev.
Mar	92.09	92.16	92.08	92.20
Jun	92.43	92.49	92.40	92.52
Sep	92.76	92.82	92.75	92.84
Dec	92.98	93.00	92.95	93.06

Estimated volume 7485 (6427)
Previous day's open int. 35544 (34340)

FT-SE 100 INDEX *
£25 per full index point

	Close	High	Low	Prev.
Mar	2569.0	2582.0	2567.0	2574.0
Jun	2608.0	2620.0	2607.5	2614.0
Sep	2642.0			2648.0

Estimated volume 6511 (6693)
Previous day's open int. 40853 (41712)

FT-SE EUROTRACK 100 INDEX
DM50 per full index point

	Close	High	Low	Prev.
Mar	1180.0			1180.0
Jun				

Estimated volume 0 (0)
Previous day's open int. 137 (137)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.7235	1.7144	1.6972	1.6746	1.6398

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	McDonnell Douglas Bnk	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Midland Bank	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	Mount Banking	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	NatWestminster	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Northern Bank Ltd	10.5
Bank of Baroda	10.5	Exeter Bank Limited	11	Nykredit Mortgage Bank	11
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Provincial Bank PLC	14
Bank of Cyprus	10.5	First National Bank Plc	14	Roxburghe Bank Ltd	11.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	Royal Bk of Scotland	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	● Smith & Williamson Secs.	10.5
Bank of Scotland	10.5	Girobank	10.5	Standard Chartered	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	TSB	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	Unibank plc	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	● United Bk of Kuwait	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Unity Trust Bank Plc	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Western Trust	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Westpac Bank Corp.	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Whiteaway Laidlaw	10.5
City Merchants Bank	10.5	Julian Hodge Bank	10.5	Yorkshire Bank	10.5
Clydesdale Bank	10.5	● Leopold Joseph & Sons	10.5		
Co-operative Bank	10.5	Lloyds Bank	10.5		
Coutts & Co	10.5	Meghraj Bank Ltd	10.5		

● Members of British Merchant Banking & Securities Houses Association.

FT LONDON INTERBANK FIXING

(11.00 a.m. Mar 4) 3 months US dollars		6 months US Dollars	
bid 4 3/16	offer 4 5/16	bid 4⅜	offer 4½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK — Treasury Bills and Bonds

Lunchtime					
Prime rate	6½	One month	3.84	Three year	5.96
Broker loan rate	6	Two month	4.05	Five year	6.79
Fed.funds	4⅛	Three month	4.15	Seven year	7.12
Fed.funds at intervention	-	Six month	4.28	10-year	7.46
		One year	4.48	30-year	7.96
		Two year	5.48		

Mar 4	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.50-9.65	9.50-9.65	9.50-9.65	9.50-9.65	9.75
Paris	10-10⅛	9⅞-10	9⅞-10	9⅞-10	9 13/16-9 15/16	9.60
Zurich	-	-	-	-	-	-
Amsterdam	9.43-9.56	9.50-9.62	-	9.50-9.62	-	-
Tokyo	5⅜-5½	5 5/16-5 7/16	-	5¼-5⅜	-	-
Milan	12-12¼	12¼-2½	-	12⅛-12¼	-	-
Brussels	9.56-9.68	9⅝-9 13/16	-	9⅝-9 13/16	-	-
Dublin	10⅜-10½	10⅜-10½	10⅜-10½	10¼-10⅜	10 1/16-10 3/16	-

LONDON MONEY RATES

Mar 4	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10½	10½	10⅝	10 7/16	10¼
Interbank Bid	7	10⅜	10⅜	10½	10⅜	10⅛
Sterling CDs	-	-	10⅜	10 7/16	10 5/16	10⅛
Local Authority Deps.	10½	10½	10 7/16	10½	10⅛	10
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10⅜	-	-	-	-
Company Deposits	-	-	10 7/16	10⅝	10¼	10
Finance House Deposits	-	-	10½	10½	10¼	10⅛
Treasury Bills (Buy)	-	-	10⅛	9¾	9⅝	-
Bank Bills (Buy)	-	-	10⅛	9 15/16	9 13/16	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	4.28	4.28	4.40	4.83
SDR Linked Dep. Offer	-	-	6⅜	6⅜	6⅜	6⅝
SDR Linked Dep. Bid	-	-	6⅛	6⅛	6⅛	6½
ECU Linked Dep. Offer	-	-	10 1/16	10⅛	10⅛	10 1/16
ECU Linked Dep. Bid	-	-	9 15/16	10	10	9 15/16

Treasury Bills (sell): one-month 10 per cent; three months 9 13/16 per cent; six months 9¼ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9⅞ per cent; Treasury Bills; Average tender rate of discount 9.7383 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day February 28 .1992 . Agreed rates for period Mar.25, 1992 to April 25 , 1992, Scheme I. 11.67 p.c., Schemes II & III: 11.64 p.c. Reference rate for period Feb 1,1992 to February 28 , 1992, Scheme IV&V: 10.433 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from March 1 , 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 7 per cent, one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5,1991 , Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

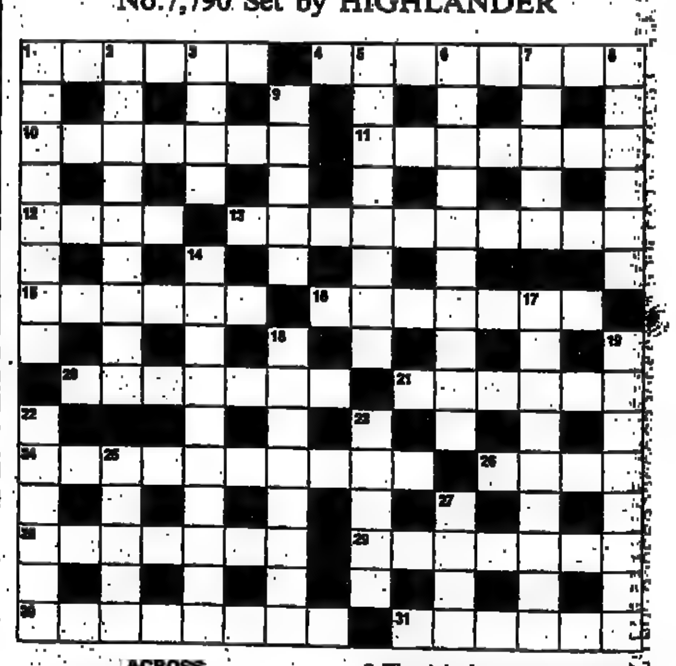
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,790 Set by HIGHLANDER



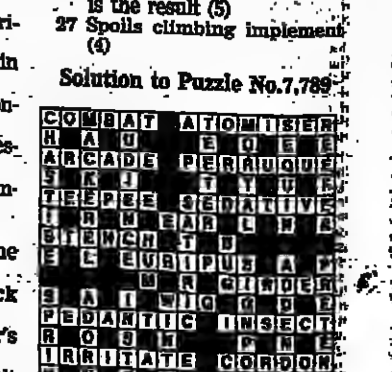
ACROSS

1 Smoke obtained from bundle of twigs (6)
4 Way to save time with electrical problem on copper terminal initially (5,3)
10 Take initiative in providing in-car service (5-2)
11 Put drunk in scarce transport (7)
12 Fashion leader of Regency period (4)
13 Able to read incorrectly added detail (10)
15 Big tank turned by English Navy into pub (6)
16 In a very perceptive way has one to send to Coventry and another cathedral (7)
20 Address in old part (7)
21 Type of door used in Mona Lisa's home (6)
24 Head master disturbed by principal trend (10)
26 Took advantage of American abridged edition (4)
28 Got up and fed together, in the pink (7)
29 Suggest short work in non-metrical format (7)
30 Open to individual suggestion (8)
31 Actor taking lead in Preminger film (6)

DOWN

1 Combine makes fortune trapping wild deer (8)
2 Beating a thorough check (5-4)
3 Extra coming from bowler's spell (4)
5 Type of book that's difficult to support financially (8)
6 Theatrical company has an allowance for damages (10)
7 Include European nobleman (5)
8 Make an effort to cover tie with it (6)
9 In Holland this relative would offer frank criticism (5)
14 Religious person in favour of starting check on social worker (10)
17 Look, there's nothing in the churchroom romance (4,5)
18 Our feet are bad by mid-morning, getting number (8)
19 Top equipment for bowlers, perhaps (8)
22 Beginning made by Rome originally (6)
23 Conflict over rider gets distorted (5)
25 Publish for children – this is the result (5)
27 Spoils climbing implement (4)

Solution to Puzzle No.7,789



WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FINLAND
[illegible]

FRANCE
[illegible]

FRANCE (continued)
[illegible]

GERMANY
[illegible]

GERMANY (continued)
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWEDEN (continued)
[illegible]

SWITZERLAND
[illegible]

SOUTH AFRICA
[illegible]

AUSTRALIA
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

MALAYSIA
[illegible]

SINGAPORE
[illegible]

JAPAN
[illegible]

Prices are in yen.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices March 4

1000 Cara Op	$5½	5⅛	5½	+⅛
33500 Cascades	58	7⅞	8	+⅛
300 Celanese	$46	46	45½	
300 Cent Cap	36	36	36	
35000 Cineplx Ode	350	350	345	
23800 Cntl Fd A	450	450	450	
81000 Cominco	$20½	20½	20½	-⅛
1800 Copulalog	88	80	88	+8
3500 Jannock	$18½	18	18	-⅛
700 KerrAddis	$16½	16¼	16½	
7400 Labatt	$27	27	27	
43900 Lac Mnrls	$8¼	8	8	
400 Lafarge	$17⅝	16⅞	17⅝	+1⅛
12100 Laidlaw A	$12⅛	11⅞	12⅛	+⅛
570800 Laidlaw B	$12⅛	11⅞	12	+⅛
400 Laurent Bk	$20⅝	20⅝	20⅝	

[illegible]

MONTREAL

3:00 pm prices March 4

[illegible]

INDICES

NEW YORK

DOW JONES	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3290.25	3275.27	3267.67	3269.45	3290.25 (3/3)	3172.41 (2/1)	3290.25 (3/3/92)	41.22 (2/7/32)
Home Bonds	99.34	99.31	99.50	99.57	99.81 (6/2)	98.56 (24/2)	99.81 (6/2/92)	54.99 (1/10/81)
Transport	1457.40	1443.01	1428.25	1432.17	1467.68 (20/2)	1342.22 (2/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	204.43	204.99	205.62	205.87	225.59 (3/1)	203.74 (24/2)	236.23 (2/1/92)	10.50 (8/4/32)

φDay's High 3313.28 (3298.97) Low 3253.50 (3242.49)

STANDARD AND POOR'S	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	412.85	412.45	412.70	413.86	420.77 (15/1)	407.38 (18/2)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	491.59	490.69	491.08	492.45	499.27 (15/1)	483.91 (18/2)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	34.83	34.86	34.75	34.88	35.14 (15/1)	33.53 (31/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	228.43	228.20	228.21	228.75	231.85 (15/1)	225.65 (18/2)	231.85 (15/1/92)	4.46 (28/4/42)
Amex Mkt. Value	415.49	416.79	416.09	416.09	418.99 (12/2)	395.51 (2/1)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	634.25	635.47	633.47	633.95	644.92 (12/2)	586.45 (2/1)	644.92 (12/2/92)	54.87 (31/10/72)

	Feb 28	Feb 21	Feb 14	year ago (approx.)
Dow Industrial Div. Yield	2.79	2.78	2.82	3.45

	Feb 26	Feb 19	Feb 12	year ago (approx.)
S & P Industrial div. yield	2.57	2.60	2.54	2.19
S & P Indl. P/E ratio	29.03	25.03	25.61	17.77

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Glaxo	3,871,800	28⅛	+ ⅛
Bally	2,190,400	7⅛	+ ⅛
GTE Corp	2,171,300	30⅛	- ⅛
BankAmer	2,062,100	45⅛	+ ⅜
Duracell Int	2,011,500	28⅛	- ⅜
ITT Corp	1,844,100	69⅛	+ 3⅛
Am T & T	1,621,600	37⅛	+ ⅛
Chrysler	1,598,900	17⅛	+ ⅛
RJR Nabisco	1,590,500	10⅛	- ⅛
Exxon	1,584,900	55⅝	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Mar 3	Mar 2	Feb 28
New York SE	206.860	180.380	202.130
Amex	16.189	16.503	13.213
NASDAQ	234.549	(u)	204.644
NYSE			
Issues Traded	2,224	2,220	2,230
Rises	920	907	818
Falls	767	806	885
Unchanged	537	507	529
New Highs	101	79	88
New Lows	19	16	14

CANADA TORONTO

	Mar 3	Mar 2	Feb 28	Feb 27	1992 HIGH	1992 LOW
Metals & Minerals	3115.70	3096.57	3096.02	3094.21	3238.87 (16/1)	2935.22 (2/1)
Composite	3576.79	3579.47	3581.94	3584.08	3666.00 (16/1)	3453.66 (2/1)
MONTREAL Portfolio	1877.49	1878.27	1880.01	1883.31	1937.59 (16/1)	1851.90 (20/2)

Base values of all Indices are 100 except NYSE All Common – 50, Standard and Poor's – 10, and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Mar 4	Mar 3	Mar 2	Feb 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	[illegible]					
All Mining (1/1/80)	[illegible]					
AUSTRIA						
Credit Aktien (30/12/84)	[illegible]					
Traded Index (2/1/91)	[illegible]					
BELGIUM						
BEL20 (1/1/91)	[illegible]					
DENMARK						
Copenhagen SE (3/1/83)	[illegible]					
FINLAND						
HEX General (28/12/90)	[illegible]					
FRANCE						
CAC General (31/12/87)	[illegible]					
CAC 40 (31/12/87)	[illegible]					
GERMANY						
FAZ Aktien (31/12/58)	[illegible]					
Commerzbank (1/12/53)	[illegible]					
DAX (30/12/87)	[illegible]					
HONG KONG						
Hang Seng Bank (31/7/64)	[illegible]					
IRELAND						
ISEQ Overall (4/1/88)	[illegible]					
ITALY						
Banca Comm. Ital. (1972)	[illegible]					
MIB General (2/1/87)	[illegible]					
JAPAN						
Nikkei (16/5/49)	[illegible]					
Tokyo SE (Topix) (4/1/68)	[illegible]					
2nd Section (4/1/68)	[illegible]					
MALAYSIA						
KLSE Composite (4/4/86)	[illegible]					
NETHERLANDS						
CBS Tot Rtn Gen (End 1983)	[illegible]					
CBS All Shr Ind (End 1983)	[illegible]					
NORWAY						
Oslo SE (Ind) (2/1/83)	[illegible]					
PHILIPPINES						
Manila Comp (2/1/85)	[illegible]					
SINGAPORE						
SES All-Singapore (2/4/75)	[illegible]					
SOUTH AFRICA						
JSE Gold (28/9/78)	[illegible]					
JSE Industrial (28/9/78)	[illegible]					
SOUTH KOREA**						
Korea Comp Ex (4/1/80)	[illegible]					
SPAIN						
Madrid SE (30/12/85)	[illegible]					
SWEDEN						
Affarsvarlden Gen. (1/2/37)	[illegible]					
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	[illegible]					
SBC General (1/4/87)	[illegible]					
TAIWAN**						
Weighted Price (30/6/66)	[illegible]					
THAILAND						
Bangkok SET (30/4/75)	793.16	788.52	779.10	[illegible]		
WORLD						
M.S. Capital Intl (1/1/70) ($)	508.1*	510.8	515.2	[illegible]		
Euro Top-100 (26/6/90)	942.27	943.20	939.91	[illegible]		

**Saturday February 29: Taiwan Weighted Price: 5142.42 Korea Comp Ex [illegible]
* Subject to official recalculation. ●-Correction
Base values of all Indices are 100 except Austria Traded, BEL20, HEX General, MIB Gen and DAX – 1,000, JSE Gold – 255.7, JSE 25 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday March 4 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Japan St Batt	9.9m	1,180	+80	Clarion	3.4m	1,340	+110
DainipponPharm	9.3m	2,230	+220	S'tomo Chem	3.2m	456	-19
Mochida Pharm	8.4m	4,180	+500	Nippon Steel	2.9m	340	-5
Cosmo Oil	4.8m	753	+3	M'bishi Kakoki	2.7m	900	+65
Mitsui Mining	4.1m	779	+19	Hitachi	2.5m	805	-17

3:00 pm prices March 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

AMEX COMPOSITE PRICES

3:00 pm prices March 4

[illegible]

NASDAQ NATIONAL MARKET

3:00 pm prices March 4

[illegible]

- X - Y - Z -

Xullinx		31	2432	30	28¼	29½	-½
Xoma Corp		12	8649	23¾	23	23¼	+¾
Yellow Fr	0.94	33	695	31⅝	31¼	31⅜	
York Rsch		47	720	6⅛	5¾	5¾	-⅛
ZionsUtah	1.44	10	12	48	47½	48	

AMERICA

Bond yield rise keeps Dow below 3,300 in early trade

Wall Street

US SHARE prices eased slightly yesterday morning after Tuesday's record close, against a background of rising long-term bond yields, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 1.34 to 3,288.91, having spent the morning a few points below Tuesday's finish. The more broadly based Standard & Poor's 500 was also lower at midsession, down 1.25 at 411.60, while the Nasdaq composite of over-the-counter stocks fell 2.92 to 631.33. Turnover on the NYSE was 127m shares by 1 pm. Declines outpaced rises by 951 to 615, seen as evidence of the market's underlying weak tone.

Traders expressed disappointment that the Dow failed to break through the 3,300 barrier, and blamed the downbeat mood among investors on the rise in bond yields. The benchmark 30-year issue has almost reached 8 per cent. Higher bond yields are unpopular at the moment because they push up mortgage and other loan rates and pose a threat to any economic recovery.

Merck fell $3¾ to $150⅛ despite attempts by the company to dismiss rumours about possible adverse research findings about its cholesterol-lowering drugs, Mevacor and Zocor. Merck said that current studies of the two drugs continued to affirm that they worked and were safe. The company's statements appeared to have little effect on market sentiment, and at one stage trading had to be halted because of an order imbalance on the sell side.

Even without the Merck story, drug stocks were generally weaker yesterday. Pfizer fell $1 to $73⅞, Glaxo slipped $⅝ to $27⅝, Smithkline Beecham lost $1⅜ at $78¼, and Schering-Plough gave up $⅞ at $58⅝.

K Mart held initially rose $1 to $52⅞ before easing back to stand unchanged at $51⅞ after the giant retailer announced fourth quarter to January 29 earnings of $479m, up from $402m at the same stage a year earlier.

Blockbuster Video fell $1¼ to $13⅞ on the news that a franchisee was suing the video retailer, claiming it had been deceived by Blockbuster when the latter bought another video rental chain last year and began competing head-on with the franchisee. Blockbuster said the lawsuit was without merit.

On the over-the-counter market, Puget Sound Bancorp rose $3¼ to $33¾ after the Washington state banking group said that it had received several proposals regarding the sale of the company.

Immulogic Pharmaceutical fell $2½ to $16¼ on reports that Merrill Lynch had downgraded the stock.

Canada

TORONTO stocks were slightly firmer at 1 pm. The TSE 300 rose 4.19 to 3,580.98. Financial services and oil and gas both rose but metals and minerals and industrial products eased.

Volume stood at 15.7m shares, up from 6.0m the day before when software problems hampered trading. Among active stocks, Horsham Corp rose C$⅜ to C$11¼ and Laidlaw B added C$⅛ to C$11⅞.

Brazilian equities show signs of stability

Traders expect modest price gains and a gradual rise in volume, says **Bill Hinchberger**

When traders return today, following the traditional Carnival holiday, they will be expecting a period of stability in Brazilian stock markets.

This trend was already evident during the last two weeks in February. The São Paulo Stock Exchange's Bovespa index closed the month at 14,498, a 29.37 per cent upswing in local currency terms, representing real growth of 4.75 per cent over inflation. In dollar terms, the index rose 12.8 per cent last month.

The country's second leading market, the Rio de Janeiro Stock Exchange, ended the month with a real decline of 0.15 per cent, as a strong second half made up for a poor first fortnight.

Except for a predictably slow Friday on the eve of Carnival, volumes in São Paulo hovered around $100m last week. "We've recovered the volume we had in the late 1970s," notes Mr Luiz Carlos Mendonca de Barros, director of Planibanc, a São Paulo investment bank. Volume is expected to continue to grow, albeit at a more gradual pace.

Judging by the futures index, brokers expect the Bovespa index to increase by about 7 per cent in dollar terms over the next 45 days. "That's a well-behaved gain by Brazilian standards," says Mr Mendonca de Barros.

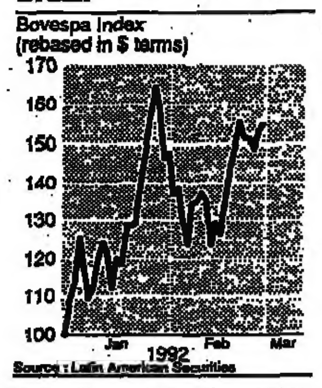
If the late February relative calm continues, it will contrast with performance since late 1990, when the ups and downs of foreign debt negotiations, the prospect of the government's privatisation programme, and alleged price manipulation by two São Paulo brokerages were among the factors which kept the market on edge.

Most of the news pushed equities up: the Bovespa index rose by 46.48 per cent in real terms in January while Rio de Janeiro's BVRJ index recorded a 38.40 per cent real increase.

By contrast, few analysts expect any shocking news to rattle the market in March. "The post-Carnival scene is set, especially with the two accords with the International Monetary Fund and the Paris Club [of official creditors]," predicts Mr Marco Antonio de Nigro, market analyst for the São Paulo financial information service, Dinheiro Vivo.

Brazil

Bovespa Index (rebased in $ terms)



Source: Latin American Securities

In addition to the IMF and Paris Club agreements, brokers offer several reasons for the steadying trend: the monthly inflation rate is expected to drop modestly, with the aid of the seasonal agricultural harvest and resulting lower food prices; an official inquiry into the price manipulation allegations is forcing "speculators" to keep a low profile; and the jump in liquidity which comes with the growth in volume is proving to be a calming influence.

Part of the added volume represents a recovery in internal savings with the gradual release of funds blocked by President Fernando Collor's March 1990 economic plan, says Mr Mendonca de Barros. The rest is coming from foreign institutional investors. Since they were allowed to invest directly in Brazil for the first time last August, foreign institutions have sunk $685.5m into the country's stock markets, according to government figures. Just $40.1m of that has since been siphoned back out.

If these trends persist, Mr Nigro predicts that the current daily volume in São Paulo, about Cr150bn ($92m), could reach Cr200bn in the coming weeks.

With the government's announcement on February 18 of tax incentives for exporters, companies with considerable foreign sales have taken the centre stage in the stock market. For instance, Companhia Vale do Rio Doce, the state-controlled mining company, saw its stock rise by 40.2 per cent in February.

The effect of generally negative 1991 company results has been mixed. Investors were braced for a poor performance from the corporate sector, given the recession and the effects of new legislation, known as "law 8,200", which requires companies to revalue assets to reflect real inflation rates, which were higher than original government figures.

Blue chips continued to fare well. The stock of Petrobras, the state-controlled petroleum company, rose 40.1 per cent in February despite the release of the worst results in its history. Telebras, the state-controlled telecommunications group, enjoyed a 37.8 per cent increase in the value of its stock even although its expected $1bn profit was trimmed to $106mn, after "law 8,200" was taken into account.

On the other hand, Copene, the petrochemical concern, saw its stock lag behind the Bovespa index by 4.7 per cent last week after announcing its first loss since its foundation in 1978. Pirelli, an electronics maker, lost 21.6 per cent against the index after it released negative 1991 results.

ASIA PACIFIC

Nikkei recovers after falling below 21,000

Tokyo

STRENGTH in pharmaceutical shares and a late round of arbitrage-related buying left the Nikkei index with a modest rise yesterday after slipping below the 21,000 level, *writes Neil Weinberg in Tokyo.*

The 225-share average closed 53.71 higher at 21,105.42, just below the day's high of 21,112.24, as drug and bio-technology issues resumed their rally.

This followed a drop of 436.11 on Tuesday; yesterday's low of 20,867.71 came on continued corporate selling related to March 31 book-closings and disappointment that Bank of Japan intervention by selling dollars in the foreign exchange market had failed to curb the yen's losses.

Volume eased from 256m to 230m shares and, despite the Nikkei's modest rise, declines led advances by 596 to 329 with 193 unchanged. The Topix index of all first section shares fell 5.21 to 1,537.22 and, in London, the ISE/Nikkei 50 index fell 2.25 to 1172.16.

The market continued to lack sufficient momentum for a sustained rally, although leading trading houses sought to drum up buying interest via pharmaceuticals, bio-tech and environmental protection stocks, dealers said. Mochida Pharmaceutical, which jumped by some 50 per cent last week, continued to rally strongly and finished up Y500 at Y4,180. It was boosted by continued buying interest in the drug sector, as well as rumours that the Ministry of Finance, a leading shareholder, is anxious to see the shares appreciate. Dainippon Pharmaceutical also rose Y220 to Y2,030.

Environmental protection issues had another strong day, with Japan Storage Battery up Y80 at Y1,180 as it led the active stocks list, and Mitsubishi Kakoki Y65 better at Y900.

Electrical and auto shares languished, with Hitachi off Y17 to Y805 and Nissan Motor Y11 to Y599. Banks, brokerages and non-life insurers also lost ground. Dai-Ichi Kangyo Bank fell Y30 to Y1,990 and Tokio Marine and Fire Y20 to Y1,040.

As the market continues to bide its time, trading around 21,000 on the Nikkei, participants are seeking direction from the foreign exchange market and interest rates. Conditions became even more confused yesterday as the Bank of Japan's action on the yen coincided with comments opposing intervention from the Japanese finance minister, Mr Tsutomu Hata.

"Nobody's sure where the economy is going or whether we're going to get an [official discount] rate cut. It's leaving the market in a void," said Ms. Caroline Stone of Barclays de Zoete Wedd. Investors are particularly anxious to see the central bank's tankan report on business conditions, due out tomorrow. If it indicates economic activity is slowing sharply, already formidable pressure will mount further for the Bank of Japan to cut its official discount rate from 4.5 per cent.

In Osaka, the OSE index fell 114.90 to 22,791.16. Nintendo lost Y200 to Y10,400.

Roundup

THE REGION's equity markets were mostly mixed to higher yesterday, with Hong Kong regaining the initiative it seemed to have lost on Tuesday.

HONG KONG closed at a record high, in spite of shedding 29 points in afternoon trade following the budget speech. The Hang Seng Index finished up 43.37 at 4,954.5. Brokers said that the afternoon decline was largely due to consolidation rather than negative reaction to the budget.

HSBC Holdings closed up 75 cents at HK$43.50 on expectations that it may soon make a scrip issue.

SINGAPORE closed off the day's highs on late profit-taking. The Straits Times Industrial index gained 7.37 to 1,459.92, having earlier been at a day's high of 1,465.24.

Brokers reported that turnover remained low due to the lack of support from fund managers who were investing elsewhere, particularly in Hong Kong. Volume was 44m shares against 42.5m.

SEOUL ended sharply higher on rumours that the government planned a package of measures ahead of the election on March 24. The measures, later denied, were said to include extending financial support to securities houses and approving the establishment of a new investment trust company. The composite stock index finished up 14.55 at 630.47 in turnover of Won224bn against Won326.26bn.

TAIWAN rose in dull trade and the weighted index closed up 9.76 to 5,066.40 in turnover of T$25bn compared with T$32.9bn.

An announcement that the government planned a further sale of its shares in the three largest commercial banks had little impact on the sector. Construction shares were the biggest gainers of the day.

AUSTRALIA closed marginally lower and the All Ordinaries index closed down 6.5 at 1,615.2 in volume of 106.5m shares. News Corp lost 4 cents to A$17.76 after falling from an intraday high of A$18.16.

NEW ZEALAND finished weaker with the NZSE-40 down 15.65 at 1,468.71 in turnover of NZ$26.5m. Magnum, the Auckland-based liquor and grocery group, which reported a smaller than forecast decline in half-year profits, gained 10 cents to NZ$1.08. Telecom shed 5 cents to NZ$2.42.

SOUTH AFRICA

JOHANNESBURG continued to weaken as investors remained cautious ahead of the referendum on March 17. The overall index shed 32 to 3,526, while the all-gold index lost 24 to 1,194. The industrial index fell 40 to 4,334.

EUROPE

Bourses focus on domestic matters in quiet trading

BOURSES concentrated on domestic matters yesterday, *writes Our Markets Staff.*

PARIS was active in the first hour of trading but then quietened down until just before the close when some arbitrage-related business was noted. The CAC-40 ended up 4.32 at 1,988.09 in moderate turnover of FFr2.4bn.

Elf fell FFr10.30 to FFr374.70 following news late on Tuesday that the government was going ahead with the sale of 2.3 per cent of Elf's share capital on March 13. Dealers were surprised at the fall, since the uncertainty about the timing of the issue had now been lifted. The fact that there was not a US tranche this time indicated that the underwriters saw little difficulty in placing the state's shares.

Euro Disney returned to fashion, closing up FFr2.50 at FFr158.80. By contrast, Peugeot fell FFr5 to FFr732 on news of a 6.5 per cent year-on-year fall in its car sales in February.

There was movement in second-liners with Béghin-Say up FFr19 at FFr640 and Spie Batignolles down FFr17 to FFr330 but dealers found no reasons for the moves. Perrier and Exor were both re-quoted yesterday, with the former rising FFr14 to FFr1,531 and the latter losing FFr5 to FFr1,490.

FRANKFURT paused, the DAX index falling 4.26 to 1,759.05 after a decline of 0.47 to 714.97 in the FAZ at midsession. Strength in the pre-market, with talk of the DAX testing 1,800 was sapped by a subsequent lack of buying orders and a feeling that the market was getting expensive after its recent gains.

Turnover held up well at DM7.8bn after DM7.6bn. Falls in senior blue chips were inconsistent, with Deutsche Bank only 20 pfg lower at DM735.30, after DM740 early in the day, but Siemens closing DM9.50 lower at DM696.50 although dealers saw no selling pressure on the stock.

MILAN fell for the sixth day in a row, the Comit index fell 3.72 to 525.70 in turnover estimated at near Tuesday's L76.8bn.

The lack of volume made the market vulnerable to rumours, which ranged from a small brokerage going bust in Turin to another Stet bond, but this time with warrants into Sip ordinary shares.

The financial index dropped 1.8 per cent, with Banco di Roma and Santo Spirito continuing to fall following last week's share exchange news. Banco di Roma fell L95 or 4.2 per cent to L2,160, while Santo Spirito dropped L125 or 5.4 per cent to L2,205. The imminent San Paolo share offering also depressed the sector.

In telecoms, Stet was unchanged at L2,380 while Sip fell L15 to L1,400 on the bond rumours. Elsewhere, Breda was temporarily suspended after a sell order in a thin market caused the stock to fall 10 per cent. When trading resumed, the stock fell L23 or 6.7 per cent to L320.

AMSTERDAM saw strong activity in Fokker after reports that the aircraft manufacturer was studying closer co-operation with Deutsche Aerospace. The share price gained Fl 3.10 or 9.4 per cent before news that the group's Fl 500m rights issue would be in April. The stock closed up Fl 2.00 or 6 per cent at Fl 34.90. The CBS Tendency Index closed 1.1 higher at 128.1 in turnover of Fl 656.9m.

DSM, which reports 1991 results on Monday, continued its gains to close Fl 2.70 higher at Fl 112.70, while Akzo was 40 cents firmer at Fl 150.80. Wessanen, the food manufacturer, which reports 1991 results today, gained Fl 1.00 to Fl 91.10.

ZURICH recovered from a midsession slump to close with industrials higher, but banks and insurers under pressure from rising interest rates. Bearer shares in Swiss Bank Corp fell SFr3 to SFr309 on profit-taking after good 1991 results.

Sulzer registered added SFr150 to SFr5,710. The engineer said on Tuesday that it was opening its registered shares to foreigners and splitting its shares 10-for-one.

STOCKHOLM also showed interest in the stock split theme although, with a five-for-one split. Sharp rises in profits and dividend were also in evidence as the retailer Hennes & Mauritz leapt SKr100 to SKr700.

The Affärsvärlden General index rose 12.7 to 974.0 with the fashion for cyclicals extending to the steelmaker, Sandvik, where the B free shares rose SKr11 to SKr390.

COPENHAGEN steadied after falling in each of the previous seven days to a succession of 1992 lows, *writes Hilary Barnes.* The CSE index rose 0.99 to 345.58.

Carlsberg B, DKr18 higher at DKr338, recovered losses sustained after Monday's announcement of a rights issue. Novo Nordisk rose DKr8 to DKr525 after a period of steady decline.

BRUSSELS closed down on profit-taking. The Bel-20 ended down 1.47 at 1,233.25, after an intra-day high of 1,242.90, in turnover of BFr1bn.

Groupe AG, the insurer, rose BFr25 to BFr2,255 while Générale Bank, its possible partner in a merger, fell BFr30 to BFr6,720.

ISTANBUL rose sharply after inflation figures showed a fall in the monthly rate. The 75-share index closed up 138.19 or 3.96 per cent at 3,623.58.

FT-SE Eurotrack 100 - Mar 4

Hourly changes

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1179.99	1178.67	1178.50	1175.09	1175.32	1175.82	1175.46	1176.33

Day's High 1179.99 Day's Low 1174.69

Mar 3	Mar 2	Feb 28	Feb 27	Feb 26
1176.44	1169.17	1169.95	1167.26	1165.89

Base value 1000 (26/10/90)

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY MARCH 3 1992								MONDAY MARCH 2 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991/92 High	1991/92 Low	Year ago (approx)
Australia (69)	145.21	−0.7	123.73	120.06	124.98	128.45	−0.4	4.30	146.28	123.54	119.88	124.76	128.91	160.31	112.74	127.50
Austria (20)	178.34	−1.2	151.96	147.45	153.50	153.46	−0.5	1.88	180.48	152.42	147.91	153.93	154.21	222.37	153.88	215.46
Belgium (46)	141.93	−0.3	120.93	117.34	122.16	119.35	+0.4	4.94	142.35	120.22	116.65	121.41	118.83	151.20	118.04	149.18
Canada (115)	134.89	−0.4	114.94	111.53	116.09	116.29	+0.1	3.19	135.47	114.41	111.02	115.54	116.20	144.28	126.49	141.10
Denmark (36)	241.53	−0.8	205.80	199.70	207.88	210.82	+0.1	1.70	243.45	205.60	199.52	207.63	210.67	273.94	217.74	264.65
Finland (15)	82.94	−3.4	70.67	68.58	71.38	78.66	−2.3	2.15	85.84	72.49	70.35	73.21	80.51	125.15	73.32	115.12
France (108)	154.82	−0.6	131.92	128.00	133.24	136.61	+0.2	3.25	155.81	131.59	127.68	132.88	136.32	156.43	119.11	151.26
Germany (66)	120.47	+0.0	102.65	99.62	103.69	103.69	+1.0	2.22	120.43	101.71	98.71	102.71	102.71	125.35	94.15	119.99
Hong Kong (55)	203.37	−0.7	173.28	168.14	175.05	202.46	−0.7	3.79	204.89	173.04	167.91	174.76	203.98	204.89	119.62	146.09
Ireland (18)	161.33	−0.6	137.46	133.39	138.85	141.02	+0.0	3.62	162.26	137.03	132.98	138.39	141.08	182.46	132.88	171.50
Italy (77)	74.35	−1.2	63.35	61.47	63.99	68.90	−0.4	3.36	75.28	63.58	61.69	64.21	69.21	88.23	64.76	83.68
Japan (473)	116.02	−2.1	98.85	95.92	99.87	95.92	−1.2	0.89	118.51	100.08	97.12	101.06	97.12	146.97	116.02	139.12
Malaysia (68)	242.42	−0.8	206.56	200.43	208.64	240.55	−0.9	2.77	244.45	206.45	200.33	208.48	242.66	250.16	189.18	236.08
Mexico (18)	1765.70	+0.6	1504.49	1459.90	1519.72	5908.86	+0.6	0.94	1754.81	1482.01	1438.14	1496.67	5871.94	1765.70	534.45	612.32
Netherland (31)	151.01	−0.3	128.67	124.86	129.98	128.37	+0.6	4.29	151.43	127.89	124.10	129.15	127.62	156.46	125.70	143.47
New Zealand (14)	46.32	−1.0	39.47	38.30	39.87	44.82	−1.2	6.13	46.76	39.49	38.33	39.89	45.35	54.64	41.18	47.05
Norway (24)	169.51	+1.4	144.43	140.16	145.90	149.26	+2.1	1.64	167.15	141.17	136.99	142.57	146.17	223.24	157.08	219.02
Singapore (38)	208.40	−0.7	177.57	172.31	179.36	158.07	−0.5	2.17	209.88	177.25	172.01	179.00	158.86	228.43	151.63	201.28
South Africa (61)	218.36	−2.4	186.06	180.54	187.94	178.43	−0.6	2.81	223.84	189.04	183.44	190.91	179.56	271.99	173.00	204.84
Spain (52)	157.77	−0.7	134.43	130.45	135.79	124.30	−0.2	4.79	158.85	134.15	130.19	135.48	124.61	171.12	131.51	166.70
Sweden (25)	180.44	+0.1	153.75	149.19	155.31	160.27	+0.8	2.81	180.19	152.18	147.68	153.69	158.99	204.12	146.60	197.49
Switzerland (59)	99.67	−0.8	84.93	82.41	85.80	93.00	+0.4	2.15	100.43	84.82	82.31	85.67	92.61	104.22	82.17	97.76
United Kingdom (233)	178.06	−0.5	151.72	147.21	153.24	151.72	+0.4	4.91	178.96	151.14	146.65	152.62	151.14	187.44	156.27	185.14
USA (523)	168.62	+0.0	143.67	139.42	145.13	168.62	+0.0	2.90	168.54	142.34	138.13	143.75	168.54	171.66	125.95	152.63
Europe (809)	145.82	−0.5	124.25	120.57	125.51	125.64	+0.4	3.86	146.53	123.75	120.09	124.98	125.16	151.52	125.50	149.62
Nordic (100)	174.37	−0.2	148.57	144.17	150.08	148.17	+0.5	2.16	174.79	147.61	143.24	149.07	147.38	200.81	155.55	195.89
Pacific Basin (717)	119.78	−1.9	102.06	99.04	103.10	98.90	−1.2	1.24	122.15	103.16	100.11	104.18	101.07	145.92	117.86	138.61
Euro−Pacific (1526)	130.46	−1.3	111.16	107.86	112.28	110.82	−0.5	2.41	132.17	111.62	108.31	112.72	111.35	147.66	121.29	143.47
North America (638)	166.48	+0.0	141.85	137.66	143.31	165.06	+0.0	2.92	166.44	140.57	136.42	141.98	164.98	169.69	125.91	151.83
Europe Ex. UK (576)	126.03	−0.5	107.39	104.22	108.50	110.34	+0.4	3.12	126.63	106.94	103.80	108.02	109.92	129.80	103.58	128.01
Pacific Ex. Japan (244)	156.96	−0.8	133.74	129.80	135.11	140.45	−0.6	3.82	158.16	133.57	129.64	134.91	141.31	158.16	111.40	131.77
World Ex. US (1720)	132.63	−1.3	113.01	109.67	114.16	113.10	−0.5	2.43	134.34	113.45	110.10	114.58	113.62	148.16	122.32	144.26
World Ex. UK (2010)	140.51	−0.8	119.72	116.18	120.94	128.03	−0.3	2.35	141.62	119.60	116.07	120.79	128.46	150.58	120.06	142.17
World Ex. So. Af. (2182)	143.32	−0.7	122.11	118.51	123.36	129.83	−0.3	2.61	144.38	121.93	118.33	123.15	130.16	153.05	122.92	145.62
World Ex. Japan (1770)	159.77	−0.2	136.13	132.11	137.53	149.93	+0.1	3.27	160.14	135.24	131.25	136.60	149.74	161.90	126.69	150.99
The World Index (2243)	143.77	−0.8	122.50	118.88	123.75	130.27	−0.3	2.61	144.87	122.34	118.73	123.56	130.61	153.70	123.28	145.98

Latest prices were unavailable for this edition.